CALDWELL COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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CALDWELL COUNTY SCHOOL DISTRICT
JUNE 30, 2018

BOARD OF EDUCATION

Mike Traylor, Chairman
Tim Kennaday, Vice Chairman
Kim Jackson, Member
William Clift, II, Member
Susan Knight, Member

ADMINISTRATIVE STAFF

Nate Huggins, Superintendent
Tammy Easley, Finance Officer

SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA

DUGUID, GENTRY & ASSOCIATES, P.S.C.
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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee
for School District Audits
Members of the Board of Education
Caldwell County School District
Princeton, 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 Caldwell County School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 District as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during the year ended June 30, 2018, the Caldwell County School District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB),* which resulted in a restatement of the Board's July 1, 2017 net position in the amount of ($6,005,439). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and pension and postemployment benefits schedules on pages 4–12, 61–64 and 65–80 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, combining agency funds financial statement and combining and individual school activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Relations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, combining agency funds financial statement, combining and individual school activity fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, combining agency fund financial statement, combining and individual school activity fund financials statements, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the 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 Caldwell 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 Caldwell County School District's internal control over financial reporting and compliance.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 9, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018

As management of the Caldwell County School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. 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 $8,835,629, as compared with the beginning cash balance of $5,050,497. The ending cash balance consisted of General Fund of $4,269,954, Special Revenue Fund of $492,303, Construction Fund of $3,211,715, non-major governmental funds of $430,765, Enterprise Funds of $179,312, School Activity Funds of $249,336 and Agency Funds of $2,244.

- Total government-wide net position decreased by $6,907,820 (net of prior period adjust in the amount of $6,005,439 for implementation of GASB 75) for the fiscal year ended June 30, 2018. Total long-term obligations had a net increase of $12,152,349, while the unrestricted net position decreased $6,907,820 and restricted net position increased $3,674,402.

- The General Fund had $16,221,697 in revenues, which primarily consisted of the state program (SEEK), property, utilities, motor vehicle taxes and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues increased $1,634,353 in comparison to prior year revenues of $14,587,344. Excluding interfund transfers, there were $16,058,775 in General Fund expenditures. General Fund expenditures increased $1,454,320 in comparison to prior year expenditures of $14,604,455.

- The financial statements reflect a total of $4,536,032 of revenues and aid from the state for payments made by the state on-behalf of District employees for retirement contributions, health insurance and technology. A like amount of expenses is also recorded in the financial statements.

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 comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and deferred outflows of resources and liabilities and deferred inflows. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows and liabilities and deferred inflows – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District's activities are reported as governmental activities.

- Governmental activities – All of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of the activities.

Fund financial statements -- The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.

- *Proprietary funds* – The District's proprietary funds are food service and school age childcare. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.

- *Fiduciary funds* – The District is a fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District's fiduciary funds consist of student activities funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 61.

GOVERNMENT 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, assets and deferred outflows exceeded liabilities and deferred inflows by $4,024,551 as of June 30, 2018.

A significant portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles and furniture and equipment) less any outstanding related debt used to acquire those assets. 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.

Following is a summary of the District's government-wide net position as of June 30, 2018 and 2017:

Net Position as of June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		District Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current assets and other assets	$ 8,695,695	$ 4,789,243	$ 194,661	$ 199,174	$ 8,890,356	$ 4,988,417
Capital assets	19,330,180	18,433,566	365,494	373,002	19,695,674	18,806,568
Total assets	28,025,875	23,222,809	560,155	572,176	28,586,030	23,794,985
Deferred outflows	2,455,401	1,439,935	261,583	94,318	2,716,984	1,534,253
Liabilities:						
Current liabilities	1,397,385	1,223,341	9,990	564	1,407,375	1,223,905
Noncurrent obligations	24,074,564	12,354,426	999,581	567,370	25,074,145	12,921,796
Total liabilities	25,471,949	13,577,767	1,009,571	567,934	26,481,520	14,145,701
Deferred inflows	678,792	210,200	118,151	40,966	796,943	251,166
Net Position:						
Investment in capital assets, net of related debt	6,896,608	10,773,566	365,494	373,002	7,262,102	11,146,568
Restricted	3,849,025	174,623	-	-	3,849,025	174,623
Unrestricted	(6,415,098)	(73,412)	(671,478)	(315,408)	(7,086,576)	(388,820)
Total net position	$ 4,330,535	$ 10,874,777	$ (305,984)	$ 57,594	$ 4,024,551	$ 10,932,371

Change in net position. The District's governmental activities net position decreased by ($6,544,242), which includes the prior period adjustment of ($5,761,422) for the implementation of GASB 75 and ($782,820) net loss from current year operations. The business-type activities net position decreased by ($363,578), which includes the prior period adjustment in the amount of ($244,017) for the implementation of GASB 75 and ($119,561) net loss from current year operations.

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal and interest by the SFCC of $63,208. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements.

The District's financial position is the product of many factors. For example, the determination of the District's investment in capital assets, net of related debt, involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

Following is a summary of schedule of changes in the District's net position for the fiscal years ended June 30, 2018 and 2017:

Changes in Net Position for the Fiscal Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		District Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Operating grants and contributions	$ 1,991,666	$ 2,216,465	$ 1,017,271	$ 797,667	$ 3,008,937	$ 3,014,132
Charges for services	-	-	110,609	237,440	110,609	237,440
General revenues:						
Property taxes	2,390,909	1,988,606	-	-	2,390,909	1,988,606
Other taxes	1,735,501	1,638,074	-	-	1,735,501	1,638,074
Investment earnings	98,242	44,398	1,545	877	99,787	45,275
State aid	13,200,253	11,773,650	120,056	106,164	13,320,309	11,879,814
Other local revenues	69,802	40,449	-	-	69,802	40,449
Other	(163)	6,499	-	-	(163)	6,499
Total revenues	19,486,210	17,708,141	1,249,481	1,142,148	20,735,691	18,850,289
Expenses:						
Instruction	11,978,242	10,496,895	-	-	11,978,242	10,496,895
Support services:						
Student	762,083	717,875	-	-	762,083	717,875
Instructional support	455,090	382,295	-	-	455,090	382,295
District administration	740,086	658,853	-	-	740,086	658,853
School administration	1,141,223	1,054,082	-	-	1,141,223	1,054,082
Business support	745,086	697,999	-	-	745,086	697,999
Plant operations	2,511,892	2,382,376	-	-	2,511,892	2,382,376
Building improvements	-	-	-		-	-
Student transportation	1,339,823	1,309,368	-	-	1,339,823	1,309,368
Community services	174,141	180,604	-	-	174,141	180,604
Interest on long-term debt	421,364	297,614	-	-	421,364	297,614
Food service	-	-	1,313,197	1,117,266	1,313,197	1,117,266
Other enterprise	-	-	55,845	48,173	55,845	48,173
Transfers	-	-	-	-	-	-
Total expenses	20,269,030	18,177,961	1,369,042	1,165,439	21,638,072	19,343,400
Increase (Decrease) in net position	$ (782,820)	$ (469,820)	$ (119,561)	$ (23,291)	$ (902,381)	$ (493,111)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $7,942,486 an increase of $3,782,010 in comparison with the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements as of June 30, 2018 and 2017.

The main sources of the General Fund's revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District's activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state, and expenditures of those grants for specific programs in accordance with the grants' guidelines. In addition to the Special Revenue (Grant) Fund, the District has the Special Revenue District Activity Fund which includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements.

The SEEK Capital Outlay Fund's revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund's revenues are produced by a five-cent property tax equivalent. The use of both funds' resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

Following is a summary of fund balances as of June 30, 2018 and 2017:

Governmental Funds Balances as of June 30, 2018 and 2017

	2018	2017	Increase (Decrease)
Governmental Funds			
General Fund	$ 4,300,006	$ 4,085,853	$ 214,153
Special Revenue Fund	-	-	-
Building Fund	317,147	312	316,835
Capital Outlay Fund	86,567	-	86,567
District Activity Fund	26,988	13,134	13,854
Construction Fund	3,211,715	61,114	3,150,601
Debt Service Fund	63	63	-
Total governmental funds	$ 7,942,486	$ 4,160,476	$ 3,782,010

General Fund – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $3,610,453, while total fund balance reached $4,300,006. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 22.48% of total General Fund expenditures, while total fund balance represents 26.78% of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by $214,153. Revenues and transfers totaling $16,309,559 increased by $1,531,056, while expenditures and transfers totaling $16,095,406 increased by $1,453,967.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the District's funds budgets are prepared to account for most transactions on a cash receipt/cash disbursement/encumbrance basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2% contingency. The District adopted a General Fund budget with a contingency of ($1,383,967) or 8.01%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by the DOE.

Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District's total revenues for General Fund activities for the fiscal year ended June 30, 2018, net of interfund transfers and beginning balances, were $16,221,697; compared to the total budgeted revenues of $13,748,225.
- The District's total expenditures for General Fund activities for the fiscal year ended June 30, 2018, net of interfund transfers, were $16,058,775; compared to the total budgeted expenditures of $17,222,320.
- The fund balance at the end of the 2018 fiscal year for all Governmental Funds was $7,942,486 compared to $4,160,476 in the prior year.

Significant Board action that impacts the District's finances includes the award of multiple contracts.

Fund 2 is made up of state, local and federal grants. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies and transportation.

Funds 310 and 320 are restricted funds for capital projects. The State contributes to Fund 310.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2018, the District had $19,695,674 invested in capital assets net of depreciation: historical costs totaled $40,457,573 with accumulated depreciation totaling $20,761,899. These assets include school, athletic and support facilities, as well as technology, food service and other equipment. Expenditures for acquisitions and improvements during the year totaled $2,063,657. Depreciation charged to expense during the year totaled $1,174,388, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

Following is a summary of capital assets, net of depreciation, as of June 30, 2018 and 2017:

Net Capital Assets for the Fiscal Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		District Total	
	2018	2017	2018	2017	2018	2017
Land	$ 312,306	$ 312,306	$ -	$ -	$ 312,306	$ 312,306
Land improvements	135,244	167,166	-	-	135,244	167,166
Construction in progress	2,028,802	-	-	-	2,028,802	-
Buildings and improvements	15,867,281	16,738,942	336,397	336,397	16,203,678	17,075,339
Technology equipment	2,011	2,011	1	1	2,012	2,012
General equipment	120,156	117,959	-	-	120,156	117,959
Vehicles	864,380	1,095,182	-	-	864,380	1,095,182
Property under capital lease	-	-	-	-	-	-
Food service equipment	-	-	29,096	36,604	29,096	36,604
Total	$ 19,330,180	$ 18,433,566	$ 365,494	$ 373,002	$ 19,695,674	$ 18,806,568

Long-Term Debt – The District's long-term general obligation bonds outstanding at June 30, 2018, were $12,460,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay $1,082,802 of the bonds leaving the District to pay $11,377,198.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District's long-term liabilities may be found in Note 4 to the financial statements.

OUTLOOK FOR THE FUTURE

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District's major source of revenue is state aid, primarily Kentucky SEEK funding.

The District's financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District's Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Superintendent or District finance personnel (270) 365-8000 or by Post Office Box 229 Princeton, Kentucky 42445.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 8,304,737	$ 179,312	$ 8,484,049
Accounts receivable:			
Other	84,818	-	84,818
Intergovernmental - indirect federal	206,140	-	206,140
Inventories	-	15,349	15,349
Restricted cash and cash equivalents	100,000	-	100,000
Capital assets:			
Non-depreciable	2,341,108	-	2,341,108
Depreciable (net)	16,989,072	365,494	17,354,566
Total assets	28,025,875	560,155	28,586,030
Deferred Outflows of Resources			
Deferred pension and postemployment benefits	2,455,401	261,583	2,716,984
Total deferred outflows of resources	2,455,401	261,583	2,716,984
Liabilities			
Accounts payable	55,800	-	55,800
Unearned revenue	697,409	-	697,409
Accrued interest	105,520	-	105,520
Long-term obligations:			
Portion due or payable within one year:			
Bonds payable	515,000	-	515,000
Compensated absences	23,656	9,990	33,646
Portion due or payable after one year:			
Bonds payable	11,918,572	-	11,918,572
Compensated absences	227,931	-	227,931
Net pension liability	11,928,061	999,581	12,927,642
Total liabilities	25,471,949	1,009,571	26,481,520
Deferred Inflows of Resources			
Deferred pension and postemployment benefits	678,792	118,151	796,943
Total deferred inflows of resources	678,792	118,151	796,943
Net Position			
Invested in capital assets, net of related debt	6,896,608	365,494	7,262,102
Restricted	3,849,025	-	3,849,025
Unrestricted	(6,415,098)	(671,478)	(7,086,576)
Total net position	$ 4,330,535	$ (305,984)	$ 4,024,551

See accompanying notes to financial statements

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net (Expenses) Revenues
Functions/Programs					
Governmental Activities:					
Current:					
Instruction	$ 11,978,242	$ -	$ 1,991,666	$ -	$ (9,986,576)
Support services:					
Student	762,083	-	-	-	(762,083)
Instructional staff	455,090	-	-	-	(455,090)
District administration	740,086	-	-	-	(740,086)
School administration	1,141,223	-	-	-	(1,141,223)
Business	745,086	-	-	-	(745,086)
Plant operations and maintenance	2,511,892	-	-	-	(2,511,892)
Student transportation	1,339,823	-	-	-	(1,339,823)
Community service activities	174,141	-	-	-	(174,141)
Interest on long-term debt	421,364	-	-	63,206	(358,158)
Total governmental activities	20,269,030	-	1,991,666	63,206	(18,214,158)
Business-type Activities:					
Food service	1,313,197	70,614	1,017,271	-	(225,312)
Other enterprise	55,845	39,995	-	-	(15,850)
Total business-type activities	1,369,042	110,609	1,017,271	-	(241,162)
Total activities	$ 21,638,072	$ 110,609	$ 3,008,937	$ 63,206.00	$ (18,455,320)

	Governmental Activities	Business-Type Activities	Total
Changes in Net Position			
Net revenues (expenses)	$ (18,214,158)	$ (241,162)	$ (18,455,320)
General Revenues			
Taxes:			
Property	2,390,909	-	2,390,909
Motor vehicle	559,726	-	559,726
Utilities	959,009	-	959,009
Other	216,766	-	216,766
Investment earnings	98,242	1,545	99,787
Other local revenue	69,802	-	69,802
State aid - formula grants	13,137,047	120,056	13,257,103
Gain (loss) on sale of fixed assets	(163)	-	(163)
Total general revenues	17,431,338	121,601	17,552,939
Change in net position	(782,820)	(119,561)	(902,381)
Net position, July 1, 2017	10,874,777	57,594	10,932,371
Implementation of GASB 75 (Note 17)	(5,761,422)	(244,017)	(6,005,439)
Net position, July 1, 2017, restated	5,113,355	(186,423)	4,926,932
Net position, June 30, 2018	$ 4,330,535	$ (305,984)	$ 4,024,551

See accompanying notes to financial statements

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CALDWELL COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 4,169,954	$ 492,303	$ 3,211,715	$ 430,765	$ 8,304,737
Accounts receivable:					
Other	84,818	-	-	-	84,818
Intergovernmental - indirect federal	-	206,140	-	-	206,140
Restricted cash and cash equivalents	100,000	-	-	-	100,000
Total assets	$ 4,354,772	$ 698,443	$ 3,211,715	$ 430,765	$ 8,695,695
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 54,766	$ 1,034	-	$ -	$ 55,800
Unearned revenue	-	697,409	-	-	697,409
Total liabilities	54,766	698,443	-	-	753,209
Fund balances					
Spendable:					
Restricted	206,545	-	3,211,715	430,765	3,849,025
Committed	461,758	-	-	-	461,758
Assigned	21,250	-	-	-	21,250
Unassigned	3,610,453	-	-	-	3,610,453
Total fund balances	4,300,006	-	3,211,715	430,765	7,942,486
Total liabilities and fund balances	$ 4,354,772	$ 698,443	$ 3,211,715	$ 430,765	$ 8,695,695

See accompanying notes to financial statements

CALDWELL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance per fund financial statements		$ 7,942,486
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $39,512,983 and the accumulated depreciation is $20,182,803.		19,330,180
Pension related items:		
Deferred outflow		2,455,401
Deferred inflow		(678,792)
Net pension and post employment benefits liability		(11,928,061)
Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bond obligations (net of discounts/premiums)	$ (12,433,572)	
Accrued interest on bonds	(105,520)	
Accrued sick leave payable	(251,587)	(12,790,679)
Net position for governmental activities		$ 4,330,535

See accompanying notes to financial statements

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
From local sources:					
Taxes					
Property	$ 1,757,515	$ -	$ -	$ 633,394	$ 2,390,909
Motor vehicle	559,726	-	-	-	559,726
Utilities	959,009	-	-	-	959,009
Other	216,766	-	-	-	216,766
Earnings on investments	88,917	2,119	7,206	-	98,242
Other local revenues	78,340	-	-	32,289	110,629
Intergovernmental - state	12,561,424	718,072	35,000	603,829	13,918,325
Intergovernmental - federal	-	1,232,767	-	-	1,232,767
Total revenues	16,221,697	1,952,958	42,206	1,269,512	19,486,373
EXPENDITURES					
Current:					
Instruction	9,313,284	1,661,061	-	13,409	10,987,754
Support services:					
Student	758,200	3,831	-	52	762,083
Instructional staff	431,174	18,942	-	4,974	455,090
District administration	739,906	-	-	-	739,906
School administration	1,141,223	-	-	-	1,141,223
Business	705,121	-	-	-	705,121
Plant operations and maintenance	1,935,611	70,872	2,028,802	-	4,035,285
Student transportation	1,013,160	81,838	-	-	1,094,998
Community service activities	21,096	153,045	-	-	174,141
Debt service	-	-	-	745,959	745,959
Total expenditures	16,058,775	1,989,589	2,028,802	764,394	20,841,560
Excess (deficit) of revenues over (under) expenditures	162,922	(36,631)	(1,986,596)	505,118	(1,355,187)
Other financing sources (uses)					
Bond proceeds	-	-	5,137,197	-	5,137,197
Proceeds from disposal of fixed assets	-	-	-	-	-
Operating transfers in	87,862	36,631	-	682,753	807,246
Operating transfers out	(36,631)	-	-	(770,615)	(807,246)
Total other financing sources (uses)	51,231	36,631	5,137,197	(87,862)	5,137,197
Net changes in fund balances	214,153	-	3,150,601	417,256	3,782,010
Fund balances, July 1, 2017	4,085,853	-	61,114	13,509	4,160,476
Fund balances, June 30, 2018	$ 4,300,006	$ -	$ 3,211,715	$ 430,765	$ 7,942,486

See accompanying notes to financial statements

CALDWELL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balance - Total governmental funds		$ 3,782,010
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlay in the current period:		
Capital outlay	$ 2,063,657	
Depreciation expense	(1,166,880)	
Net capital outlay		896,777
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, CIP closures/transfers) is to decrease net position		(163)
Bond proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the government funds financial statements but is a reduction of the liability in the statement of net position.		(5,137,197)
Bond repayments		460,000
Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:		
Deferred pension and post employment benefits amounts	$ (662,901)	
Accumulated sick leave - noncurrent portion	14,059	
Cost of issuance of new debt	(95,740)	
Amortization of bond discounts/premiums	(635)	
Accrued interest on bonds	(39,030)	
Net decrease in expenditures		(784,247)
Change in net position of governmental activities		$ (782,820)

See accompanying notes to financial statements

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	School Food Service	School Age Child Care	Total Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	$ 179,247	$ 65	$ 179,312
Inventory	15,349	-	15,349
Total current assets	194,596	65	194,661
Noncurrent assets			
Capital assets	935,591	-	935,591
Less: accumulated depreciation	(570,097)	-	(570,097)
Total noncurrent assets	365,494	-	365,494
Total assets	560,090	65	560,155
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension and postemployment benefits	241,636	19,947	261,583
LIABILITIES			
Current liabilities			
Compensated absences	9,990	-	9,990
Total current liabilities	9,990	-	9,990
Noncurrent liabilities			
Net pension and postemployment benefits liability	916,710	82,871	999,581
Total noncurrent liabilities	916,710	82,871	999,581
Total liabilities	926,700	82,871	1,009,571
DEFERRED INFLOWS OF RESOURCES			
Deferred pension and postemployment benefits	108,158	9,993	118,151
NET POSITION			
Invested in capital assets, net of related debt	365,494	-	365,494
Unrestricted	(598,626)	(72,852)	(671,478)
Total net position	$ (233,132)	$ (72,852)	$ (305,984)

See accompanying notes to financial statements

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	School Food Service	School Age Child Care	Total Enterprise Funds
OPERATING REVENUES			
Lunchroom sales	$ 70,614	$ -	$ 70,614
Student fees	-	39,995	39,995
Total operating revenues	70,614	39,995	110,609
OPERATING EXPENSES			
Salaries, wages and benefits	645,299	54,753	700,052
Contract services	70,143	45	70,188
Materials and supplies	589,347	1,047	590,394
Depreciation	7,508	-	7,508
Other	900	-	900
Total operating expenses	1,313,197	55,845	1,369,042
Operating income (loss)	(1,242,583)	(15,850)	(1,258,433)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	944,533	-	944,533
Donated commodities	72,738	-	72,738
State grants	9,666	-	9,666
State on-behalf payments	103,264	7,126	110,390
Interest income	1,545	-	1,545
Total non-operating revenues (expenses)	1,131,746	7,126	1,138,872
Change in net position	(110,837)	(8,724)	(119,561)
Net position, July 1, 2017	102,303	(44,709)	57,594
Implementation of GASB 75 (Note 17)	(224,598)	(19,419)	(244,017)
Net position, July 1, 2017, restated	(122,295)	(64,128)	(186,423)
Net position, June 30, 2018	$ (233,132)	$ (72,852)	$ (305,984)

See accompanying notes to financial statements

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	School Food Service Fund	School Age Child Care	Total Enterprise Funds
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	$ 70,614	$ -	$ 70,614
Student fees	-	40,658	40,658
Cash paid to/for:			
Employees	(442,059)	(39,501)	(481,560)
Supplies	(525,770)	(1,047)	(526,817)
Contract services	(71,043)	(45)	(71,088)
Net cash provided (used) by operating activities	(968,258)	65	(968,193)
Cash flows from noncapital financing activities			
Government grants	954,201	-	954,201
Net cash provided (used) by noncapital financing activities	954,201	-	954,201
Cash flows from investing activities			
Receipt of interest income	1,545	-	1,545
Net cash provided (used) by investing activities	1,545	-	1,545
Net increase (decrease) in cash and cash equivalents	(12,512)	65	(12,447)
Balances, July 1, 2017	191,759	-	191,759
Balances, June 30, 2018	$ 179,247	$ 65	$ 179,312

See accompanying notes to financial statements

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS, continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	School Food Service Fund	School Age Child Care	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ (1,242,583)	$ (15,850)	$ (1,258,433)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	7,508	-	7,508
Donated commodities	72,738	-	72,738
State on-behalf payments	103,264	7,126	110,390
Change in assets and liabilities:			
Accounts receivable	-	663	663
Inventory	(8,597)	-	(8,597)
Accounts payable	(564)		(564)
Accrued sick leave	5,995	-	5,995
Deferred pension and postemployment benefits amounts	93,981	8,126	102,107
Net cash provided (used) by operating activities	$ (968,258)	$ 65	$ (968,193)
Schedule of non-cash transactions:			
Donated commodities received from Federal government	$ 72,738	$ -	$ 72,738
On-behalf payments	103,264	7,126	110,390

See accompanying notes to financial statements

FIDUCIARY FUND FINANCIAL STATEMENTS

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 251,580
Total assets	251,580
LIABILITIES	
Due to student groups	249,336
Due to grantor agencies	2,244
Total liabilities	251,580
NET POSITION	$ -

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Caldwell 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 Caldwell 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". 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 District. 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 District itself such as band boosters, parent-teacher associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. 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. In 1991, the Board authorized the establishment of the Caldwell County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act, 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 Caldwell County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Interfund activity is eliminated to avoid "doubling up" revenues and expenses.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each 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 programs 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 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.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. These could include federal, State and county grants and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost reimbursement grants and general revenues. Generally, the District applies cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues or expenditures comprise at least 10% of total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

Governmental Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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.

The *Special Revenue (Grant) Fund* 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. This is a major fund of the District.

The *Special Revenue District Activity Fund* includes funds restricted to expenditures for purposes specified by Redbook requirements. Project accounting is employed to maintain integrity for the various sources of funds.

Capital Projects 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).

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan (including payment of bonded lease obligations).

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.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.

Proprietary Funds

Proprietary funds are used to account for ongoing organizations and activities which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The fund's principal operating revenues are food service charges and student fees. Operating expenses include food production costs, supplies, administrative costs and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two proprietary funds:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

The *School Age Child Care Fund* is used to account for specific educational needs and purposes.

Fiduciary Funds

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

Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *Uniform Program of Accounting for School Activity Funds*. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

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

Revenue Recognition

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and 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 collectible within the current period or within 60 days after year end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants entitlements and donations are 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 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 specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses, and changes in net position as an expense and as donated commodities revenue (nonoperating revenue).

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2018, to finance the General Fund operations were $.446 per $100 valuation for real property, $.446 per $100 valuation for business tangible personal property, and $.538 per $100 valuation for motor vehicles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of certain financial statement balances. Actual results could differ from those estimates.

Interfund Activity

Flows of cash 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 after nonoperating revenues/expenses in proprietary funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year end is provided for at June 30, 2018. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The District considers demand deposits, money market funds and time deposits that are nonnegotiable, to be cash and cash equivalents, for governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statement of cash flows.

Prepaid Expenditures

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITS), derivatives and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and security pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Comingled assets that are not traded on a national exchange are valued by the comingled manager. The District had no investments at June 30, 2018 that met these criteria.

Inventories

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

Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3)

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. 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 interfund balances.

Capital Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

All capital assets greater than $5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

All reported capital assets, except land and construction in progress, 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:

Description	Estimated Lives for Depreciation
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
General equipment	5-10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-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 and contractually required pension contributions 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Compensated Absences

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

Pensions

Pensions and Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, OPEB and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teacher's Retirement System of the State of Kentucky ("KTRS") 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, 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category: the deferred outflows of resources relate to the net pension liability described in Note 10 and the OPEB liability described in Note 11.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category: the deferred inflows of resources relate to the net pension liability as described in Note 10 and the OPEB liability described in Note 11.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balances

In the fund financial statements, governmental fund balances are classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education's formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or Management. The Board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds, when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed, assigned and then unassigned fund balances.

Net Position

Net positions represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

Subsequent Events

Subsequent events have been evaluated through November 9, 2018, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirement of KRS 41.240(4).

At fiscal year end, the carrying amount of the District's deposits was $8,835,629 and the bank balance was $10,564,798. Of the District's bank balance, $9,314,798 was collateralized as discussed above because it was uninsured, while $1,250,000 was covered by Federal Deposit Insurance.

The carrying amounts are reflected in the financial statements as follows:

The District has a cash restriction of $100,000 for the purpose of paying compensation for unused sick leave at the time of employee retirement in accordance with KRS 157.420(3).

Reconciliation to Government-wide Statement of Net Position:	
Unrestricted cash, including time deposits	$ 8,484,049
Restricted cash, including time deposits	100,000
Fiduciary fund cash (not included in government-wide statement)	251,580
	$ 8,835,629

These amounts are reported in the financial statements, as follows:

Governmental activities	
Cash and cash equivalents	$ 8,304,737
Restricted cash and cash equivalents	100,000
Business-type activities	179,312
Fiduciary funds	251,580
	$ 8,835,629

NOTE 3 – CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 312,306	$ -	$ -	$ 312,306
Construction in progress	-	2,028,802	-	2,028,802
Total capital assets not being depreciated	312,306	2,028,802	-	2,341,108
Capital assets being depreciated:				
Land improvements	906,507	-	-	906,507
Buildings and improvements	31,140,824	-	-	31,140,824
Technology equipment	794,527	-	133,045	661,482
Vehicles	3,488,008	-	-	3,488,008
General equipment	942,994	34,855	2,795	975,054
Total capital assets being depreciated	37,272,860	34,855	135,840	37,171,875
Less: accumulated depreciation				
Land improvements	739,341	31,922	-	771,263
Buildings and improvements	14,401,882	871,661	-	15,273,543
Technology equipment	792,516	-	133,045	659,471
Vehicles	2,392,826	230,802	-	2,623,628
General equipment	825,035	32,495	2,632	854,898
Total accumulated depreciation	19,151,600	1,166,880	135,677	20,182,803
Total capital assets being depreciated - net	18,121,260	(1,132,025)	163	16,989,072
Governmental activities capital assets - net	$ 18,433,566	$ 896,777	$ 163	$ 19,330,180

The balance of construction in progress is not shown in the Annual Financial Report of the District.

NOTE 3 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Instruction	$ 376,501
Support services:	
Student	-
District administration	180
Business	39,965
Plant operation and maintenance	505,409
Student transportation	244,825
	$ 1,166,880

Business-type Activities	**Balance July 1, 2017**	**Additions**	**Deductions**	**Balance June 30, 2018**
Capital assets being depreciated:				
Buildings and improvements	$ 468,202	$ -	$ -	$ 468,202
Technology equipment	38,934	-	634	38,300
Vehicles	9,000	-	-	9,000
Food service equipment	429,088	-	-	429,088
Total capital assets being depreciated	945,224	-	634	944,590
Less: accumulated depreciation				
Buildings and improvements	131,805	-	-	131,805
Technology equipment	38,933	-	634	38,299
Vehicles	9,000	-	-	9,000
Food service equipment	392,484	7,508	-	399,992
Total accumulated depreciation	572,222	7,508	634	579,096
Business-type activities capital assets - net	$ 373,002	$ (7,508)	$ -	$ 365,494

NOTE 4 – LONG-TERM DEBT OBLIGATIONS

The District issues bonds to provide funds for the acquisition and construction of major capital facilities and improvements. The original amount of the issue, the dates and interest rates are summarized below:

Issue	Proceeds	Maturity Dates	Interest Rates	Balance June 30, 2018
Issue of 2005	$ 1,390,000	2020	3.00% - 4.00%	$ 525,000
Issue of 2011	7,500,000	2031	1.85% - 4.38%	6,675,000
Issue of 2018	5,260,000	2038	2.75% - 3.75%	5,260,000

On April 18, 2018, the District issued $5,260,000 in Revenue Bonds with interest rates of 2.75%-3.75%. The District issued the bonds to renovate the Area Technology Center. The bonds mature in 2038.

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 Caldwell County Fiscal Court and the Caldwell County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1986, the District entered into “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

NOTE 4 – LONG TERM DEBT OBLIGATIONS, continued

The bonds may be called prior to maturity and redemption premiums specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2018, for debt service (principal and interest) are as follows:

	Caldwell County School District		Kentucky School Facility Construction Commission		
Year	Principal	Interest	Principal	Interest	Total
2019	$ 433,570	$ 407,810	$ 81,430	$ 36,872	$ 959,682
2020	452,577	400,988	82,423	35,002	970,990
2021	424,625	385,266	55,375	32,326	897,592
2022	438,009	372,530	56,991	30,710	898,240
2023	456,273	358,516	58,727	28,974	902,490
2024-2028	2,590,847	1,531,346	324,153	114,358	4,560,704
2029-2033	3,068,413	971,132	276,587	51,946	4,368,078
2034-2038	3,512,884	392,933	147,116	16,460	4,069,393
	$ 11,377,198	$ 4,820,521	$ 1,082,802	$ 346,648	$ 17,627,169

Changes in the long-term liability accounts during the year are summarized below:

	Balance July 1, 2017	Additions	Payments/ Adjustments	Balance June 30, 2018	Due in One Year
Bonds payable:					
Revenue bonds	$ 7,660,000	$ 5,260,000	$ 460,000	$ 12,460,000	$ 515,000
Less premium (discount)	-	(27,063)	(635)	(26,428)	-
Total bonds payable	7,660,000	5,232,937	459,365	12,433,572	515,000
Other liabilities:					
Compensated absences -					
Governmental activities	265,646	-	14,059	251,587	23,656
Business-type activities	-	9,990	-	9,990	-
Total other liabilities	265,646	9,990	14,059	261,577	23,656
Total long-term liabilities	$ 7,925,646	$ 5,242,927	$ 473,424	$ 12,695,149	$ 538,656

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The compensated absences and lease obligations will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

NOTE 5 – COMPENSATED ABSENCES

Upon retirement from the school system, employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund for the governmental activities and the Proprietary Funds for the business-type activities. Management has estimated that the amount for governmental activities will be approximately $251,587 with $23,656 considered the short-term portion and $227,931 considered the long-term portion. Management has estimated the amount for business-type activities will be approximately $9,990 with the entire amount considered long-term.

NOTE 6 – FUND BALANCE REPORTING

Following is a summary of designations of fund balance at June 30, 2018:

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total
Restricted:					
Sick leave	$ 100,000	$ -	$ -	$ -	$ 100,000
Future construction	-	-	3,211,715	-	-
SFCC escrow	-	-	-	403,714	403,714
Debt service	-	-	-	63	63
District activity fund	-	-	-	26,988	3,238,703
Committed:					
Sick leave	150,000	-	-	-	150,000
Future construction	300,000	-	-	-	300,000
Buses	11,758	-	-	-	11,758
SBDM	106,545	-	-	-	106,545
Other	-	-	-	-	-
Assigned:					
Other	21,250	-	-	-	21,250
Unassigned	3,610,453	-	-	-	3,610,453
	$ 4,300,006	$ -	$ 3,211,715	$ 430,765	$ 7,942,486

NOTE 7 – TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS matching for technology	$ 36,631
Capital Outlay	General	Operating expenses	87,862
Building	Debt Service	Debt service payments	682,753
			$ 807,246

NOTE 8 – DEFICIT OPERATING FUND BALANCES

There are no funds of the District that currently have a deficit fund balance.

NOTE 9 – ON-BEHALF PAYMENTS

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2018:

Health insurance	$ 2,011,129
Life insurance	3,324
Administrative	27,469
Health reimbursement account - HRS/dental/vision	130,813
	2,172,735
Federal reimbursements of health benefits	(131,099)
	2,041,636
Kentucky Teacher's Retirement System	2,366,342
Technology	64,848
SFCC debt service	63,206
	$ 4,536,032

NOTE 9 – ON-BEHALF PAYMENTS, continued

The District included on-behalf payments in their budget. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements, as follows:

Governmental activities	
General Fund	$ 4,362,435
Debt Service Fund	63,207
Business-type activities:	-
Food Service Fund	103,264
School Age Child Care	7,126
	$ 4,536,032

NOTE 10 – PENSION PLANS

The District's employees are provided with two pensions 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 ("CERS")

Plan description – Employees whose positions do not require a college degree beyond a high school diploma are covered by 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/.

NOTE 10 – PENSION 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
		Or age 57+ and sum of service years plus age equal 87
	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. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay, and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions – Required contributions by the employee are based on the tier:

	Required contributions
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

NOTE 10 – PENSION PLANS, continued

General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

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 (KTRS)—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. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and, therefore, is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.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 who 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 2.0% of their final average salary for each year of service if, upon retirement, their total service was 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.

Final average salary is defined as the member's five (5) highest 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. KTRS 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.

NOTE 10 – PENSION PLANS, continued

Contributions – Contribution rates are established by Kentucky Revised Statutes (KRS). District employees are required to contribute 12.855% of their salaries to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 16.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 16.105% 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.

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

At June 30, 2017, 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 net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability 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	$	6,404,865
Commonwealth's proportionate share of the KTRS net pension liability associated with the District.		61,768,898
	$	68,173,763

The net pension liability of the plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District's proportion was 0.109423%.

For the year ended June 30, 2018, the District recognized pension expense of $1,036,970 related to CERS and $4,396,998 related to KTRS. The District also recognized revenue of $4,396,988 for KTRS support provided by the Commonwealth. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 10 – PENSION PLANS, continued

County Employees Retirement System (CERS)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,944	$ 162,583
Change of assumptions	1,181,871	-
Net differences between projected and actual earnings on pension plan investments	507,258	428,037
Changes in proportion and difference between District contributions and proportionate share of contributions	8,988	91,149
District contributions subsequent to the measurement date	401,835	-
Total	$ 2,107,896	$ 681,769

The amount of $401,835 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2018	$ 450,172
2019	456,634
2020	199,728
2021	(82,242)
2022	-
Thereafter	-
Total	$ 1,024,292

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

	CERS	KTRS
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.50-7.30%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

NOTE 10 – PENSION PLANS, continued

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

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

For KTRS, 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 AA to 2020 with a setback of 1 year for females. The results of the experience study for the period July 1, 2010 - June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTE 10 – PENSION PLANS, continued

Measurement Period 2017

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equity	17.50%	5.97%
International equity*	17.50%	7.85%
Global bonds	4.00%	2.63%
Global credit	2.00%	3.63%
High yield	7.00%	5.75%
Emerging market debt	5.00%	5.50%
Private credit	10.00%	8.75%
Real estate*	5.00%	7.63%
Absolute return	10.00%	5.63%
Real return*	10.00%	6.13%
Private equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	100.00%	

* Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan.

For KTRS, 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 investment consultant, are summarized in the following table:

Measurement Period 2017

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equity	42.00%	4.40%
Non U.S. equity	20.00%	5.30%
Fixed income	16.00%	1.50%
Additional categories*	9.00%	3.60%
Real estate	5.00%	4.40%
Private equity	6.00%	6.70%
Cash	2.00%	0.80%
Total	100.00%	

*Includes hedge funds, high yield and non-US developed bonds.

NOTE 10 – PENSION PLANS, continued

Discount rate – For CERS, the discount rate used to measure the total pension liability for the measurement periods with years ended June 30, 2017 and 2016 was 6.25% and 7.50%, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan employees were projected through 2117. Projected inflows from investment earnings were calculated using the long-term assumed investment return for the years ended June 30, 2017 and 2016 of 6.25% and 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 4.49%. 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, and the additional amounts appropriated for fiscal years 2017 and 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039, and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS 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	$ 8,077,919	$ 6,404,865	$ 5,005,367
KTRS	3.49%	4.49%	5.49%
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 CERS and KTRS.

NOTE 11– OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city and any additional eligible local agencies electing to participate in CERS. The District participates in the Non-Hazardous plan.

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

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20+ Years	100.00%
15-19 Years	75.00%
10-14 Years	50.00%
4-9 Years	25.00%
< 4 Years	0.00%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands.

NOTE 11– OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for either system.

Contributions: The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5%. Employees hired on or after September 1, 2018, contribute an additional 1% to health insurance.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2018 and 2017, participating employers contributed 19.18% (14.48% pension fund and 4.70% insurance fund) and 18.68% (13.95% pension fund and 4.73% insurance fund), respectively, of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contribution to the insurance fund from the District was $130,430 for the year ended June 30, 2018.

The District has met 100% of the contribution funding requirement for the year ended June 30, 2018. Total current year contribution recognized by the plan was $130,430 for the year ended June 30, 2018. The OPEB contribution amount does not include the implicit subsidy reported in the amount of $26,855.

General Information about the Teachers' Retirement System of Kentucky OPEB Plan

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

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

Medical Insurance 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.

NOTE 11– OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

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 and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2018, the Kentucky School District reported a liability of $2,199,777 for CERS and $7,854,000 for KTRS for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.121224% and the State's proportion was 0.099022% for a total percentage of .220246%.

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:

		Medical Insurance Fund
	CERS	KTRS
District's proportionate share of the net OPEB liability	$ 2,199,777	$ 4,323,000
State's proportionate share of the net OPEB liability associated with the District	-	3,531,000
Total	$ 2,199,777	$ 7,854,000

NOTE 11– OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

For the year ended June 30, 2018, the District recognized OPEB expense of $250,672 for CERS and $511,000 for KTRS and revenue of $230,000 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	CERS		Medical Insurance Fund KTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6,110	$ -	$ 56,000
Changes of assumptions	478,658	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	103,960	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	5,104	-	-
District contributions subsequent to the measurement date	130,430	-	-	-
Total	$ 609,088	$ 115,174	$ -	$ 56,000

Of the total amount reported as deferred outflows of resources related to OPEB, $130,430 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Years Ending June 30	CERS	KTRS
2018	$ 62,541	$ -
2019	62,541	(14,000)
2020	62,541	(14,000)
2021	62,541	(14,000)
2022	88,531	(14,000)
Thereafter	24,789	-
Total	$ 363,484	$ (56,000)

NOTE 11– OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

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

Valuation date	June 30, 2017
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.05%, Average
Investment rate of return	6.25%
Healthcare cost trend rates (pre-65)	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare cost trend rates (post-65)	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50-7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal bond index rate	3.56%
Discount rate	8.00%
Single equivalent interest rate	8.00%, net of OPEB plan investment expense, including inflation

NOTE 11– OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

For CERS, the mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back on year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

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

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

NOTE 11– OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Nominal Return
US equity	17.50%	5.97%
International equity*	17.50%	7.85%
Global bonds	4.00%	2.63%
Global credit	2.00%	3.63%
High yield	7.00%	5.75%
Emerging market debt	5.00%	5.50%
Private credit	10.00%	8.75%
Real estate*	5.00%	7.63%
Absolute return	10.00%	5.63%
Real return*	10.00%	61.30%
Private equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	100.00%	

*Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance

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.

NOTE 11– OTHER POST EMPLOYMENT BENEFITS (OPEB), 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	60.00%	5.1%
Fixed income	9.00%	1.2%
Real estate	4.50%	4.0%
Private equity	5.50%	6.6%
High yield	10.00%	4.3%
Other additional categories*	10.00%	3.3%
Cash (LIBOR)	1.00%	0.5%
Total	100.00%	

**Modeled as 50% high yield and 50% bank loans.*

Discount rate: For the CERS, the discount rate used to measure the total OPEB liability was 5.84% for non-hazardous and 5.96% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.56%, as reported in the Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and the actuarial assumptions and methods adopted by the Board of Trustees.

Period of projected benefit payments – Current assets, future contributions and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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.

NOTE 11– OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

Sensitivity of the District's proportionate share of the CERS and TRS net OPEB liability to changes in the discount rate: The following present's the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84% for non-hazardous and 4.96% for hazardous) or 1-percentage-point higher (6.84% for non-hazardous and 6.96% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	4.84%	5.84%	6.84%
CERS	$ 2,799,094	$ 2,199,777	$ 1,701,051
	7.00%	8.00%	9.00%
KTRS - MIF	$ 9,145,000	$ 4,323,000	$ 6,778,000

Sensitivity of the District's proportionate share of the CERS and TRS net OPEB liability to changes in the healthcare cast trend rates: The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
CERS	$ 1,687,342	$ 2,199,777	$ 2,865,912
KTRS - MIF	6,577,000	4,323,000	9,429,000

Changes of assumptions: Subsequent to the actuarial valuation date, but prior to the measurement dates, the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, total CERS OPEB liability as of June 30, 2017 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

Payable to the OPEB plan: At June 30,2018, the District reported a payable of $0 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2018.

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 12 – CONTINGENCIES & COMMITMENTS

Grant Programs

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

KSBIT

The District has been notified by the Kentucky School Board Insurance Trust of a $64,624 liability for workers compensation losses incurred by the Trust. The District paid 25% down payment of $16,156 in August 2014. The District chose to pay the remaining liability of $48,468 in six installments beginning August 15, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020.

NOTE 13 – INSURANCE AND RELATED ACTIVITES

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 is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

NOTE 14 – RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. To obtain insurance for errors and omissions and general liability coverage, the District purchases from Curneal and Hignite with coverage from Wright Specialty Insurance. The District pays an annual premium to each fund for coverage.

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

The District purchases workers compensation insurance from Kentucky Employers Mutual Insurance.

NOTE 14 – RISK MANAGEMENT AND LITIGATION, continued

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements

NOTE 15 – COBRA

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

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

NOTE 16 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2018.

NOTE 17 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2018, the District adopted the following accounting pronouncements:

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* issued March 2016.
- GASB Statement No. 85, *Omnibus 2017*, issued March 2017.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017.

Adoption of these statements did not have a significant impact on the District's financial position or results of operations.

- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, issued on June 2015 aims to improve financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers regarding financial support for OPEB that is provided by other entities.

NOTE 17 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS, continued

Adoption of this statement had a significant impact on the District's financial position. As a result, the District restated the July 1, 2017 net position in the amount of ($6,005,439) as outlined below.

	Beginning Balance	As Restated	GASB 75 Adjustment
Statement of Activities			
Governmental Activities	$ 10,874,777	$ 5,113,355	$ (5,761,422)
Statement of Revenues, Expenses and Changes in Net Position			
School Food Services Fund	102,303	(122,295)	(224,598)
School Age Child Care Fund	(44,709)	(64,128)	(19,419)
Total			$ (6,005,439)

REQUIRED SUPPLEMENTARY INFORMATION

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From local sources:				
Taxes				
Property	$ 1,600,000	$ 1,600,000	$ 1,757,515	$ 157,515
Motor vehicle	450,000	450,000	559,726	109,726
Utilities	875,000	875,000	959,009	84,009
Other	150,000	150,000	216,766	66,766
Earnings on investments	25,500	25,500	88,917	63,417
Other local revenues	33,826	41,905	78,340	36,435
Intergovernmental - state	10,606,646	10,605,820	12,561,424	1,955,604
Total revenues	13,740,972	13,748,225	16,221,697	2,473,472
EXPENDITURES				
Current:				
Instruction	8,526,799	8,556,351	9,313,284	(756,933)
Support services:				
Student	679,950	679,950	758,200	(78,250)
Instructional staff	425,700	425,700	431,174	(5,474)
District administration	2,342,268	2,319,969	739,906	1,580,063
School administration	1,037,800	1,037,800	1,141,223	(103,423)
Business	692,100	692,100	705,121	(13,021)
Plant operation and maintenance	2,171,500	2,171,500	1,935,611	235,889
Student transportation	1,306,950	1,306,950	1,013,160	293,790
Community services	32,000	32,000	21,096	10,904
Total expenditures	17,215,067	17,222,320	16,058,775	1,163,545
Excess (deficit) of revenues over (under) expenditures	(3,474,095)	(3,474,095)	162,922	3,637,017
Other financing sources (uses)				
Proceeds from sale of fixed assets	-	-	-	-
Operating transfers in	-	-	87,862	87,862
Operating transfers out	(50,000)	(50,000)	(36,631)	13,369
Total other financing sources (uses)	(50,000)	(50,000)	51,231	101,231
Net change in fund balance	(3,524,095)	(3,524,095)	214,153	3,738,248
Fund balance, July 1, 2017	3,524,095	3,524,095	4,085,853	561,758
Fund balance, June 30, 2018	$ -	$ -	$ 4,300,006	$ 4,300,006

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amount			Variance with Final Budget Favorable
REVENUES	Original	Final	Actual	(Unfavorable)
From local sources:				
Earnings on investments	$ -	$ -	$ 2,119	$ 2,119
Intergovernmental - state	907,596	873,638	718,072	(155,566)
Intergovernmental - federal	1,267,465	1,262,107	1,232,767	(29,340)
Total revenues	2,175,061	2,135,745	1,952,958	(182,787)
EXPENDITURES				
Current:				
Instruction	1,795,489	1,768,916	1,661,061	107,855
Support services:				
Student	52,053	52,053	3,831	48,222
Instructional staff	29,188	16,445	18,942	(2,497)
Plant operations and maintenance	107,721	107,721	70,872	36,849
Student transportation	87,565	87,565	81,838	5,727
Community services	153,045	153,045	153,045	-
Total expenditures	2,225,061	2,185,745	1,989,589	196,156
Excess (deficit) of revenues over (under) expenditures	(50,000)	(50,000)	(36,631)	13,369
Other financing sources (uses)				
Operating transfers in	50,000	50,000	36,631	(13,369)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	50,000	50,000	36,631	(13,369)
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2017	-	-	-	-
Fund balance, June 30, 2018	$ -	$ -	$ -	$ -

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – CONSTRUCTION FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From local sources:				
Earnings on investments	$ -	$ -	7,206	7,206
Intergovernmental - state	-	-	35,000	35,000
Total revenues	-	-	42,206	42,206
EXPENDITURES				
Current:				
Support services:				
Plant operation and maintenance	-	5,601,868	2,028,802	3,573,066
Total expenditures	-	5,601,868	2,028,802	3,573,066
Excess (deficit) of revenues over (under) expenditures	-	(5,601,868)	(1,986,596)	3,615,272
Other financing sources (uses)				
Bond proceeds	-	4,081,868	5,137,197	1,055,329
Operating transfers in	-	1,520,000	-	(1,520,000)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	5,601,868	5,137,197	(464,671)
Net change in fund balance	-	-	3,150,601	3,150,601
Fund balance, July 1, 2017	-	-	61,114	61,114
Fund balance, June 30, 2018	$ -	$ -	$ 3,211,715	$ 3,211,715

CALDWELL COUNTY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 – BUDGETARY INFORMATION

The District's budgetary process accounts for transactions on a basis other than GAAP. Differences between the budgetary accounting methods and GAAP are not material.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
JUNE 30, 2018
County Employees Retirement System (CERS)

	2018	2017	2016	2015
District's proportion of net pension liability	0.109423%	0.112120%	0.111370%	0.114501%
District's proportionate share of net pension liability	$ 6,404,865	$ 5,520,239	$ 4,788,322	$ 3,798,000
State's proportionate share of net pension liability associated with the District	-	-	-	-
Total	$ 6,404,865	$ 5,520,239	$ 4,788,322	$ 3,798,000
District's covered-employee payroll	$ 2,775,104	$ 2,752,807	$ 2,745,330	$ 2,655,677
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	230.80%	200.53%	174.42%	143.01%
Plan fiduciary net position as a percentage of total pension liability	53.30%	53.30%	59.97%	66.80%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available.
GASB 68 was implemented in fiscal year 2015.

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS TO PENSION PLAN
JUNE 30, 2018
County Employees Retirement System (CERS)

	2018	2017	2016	2015
Contractually required contribution	$ 401,835	$ 514,232	$ 468,352	$ 437,654
Contributions in relation to the contractually required contribution	401,835	514,232	468,352	437,654
Contribution deficiency	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 2,775,104	$ 2,752,807	$ 2,745,330	$ 2,655,677
Contributions as a percentage of covered-employee payroll	14.48%	18.68%	17.06%	16.48%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available.
GASB 68 was implemented in fiscal year 2015.

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
JUNE 30, 2018
Kentucky Teachers' Retirement System (KTRS)

	2018	2017	2016	2015
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%
District's proportionate share of net pension liability	$ -	$ -	$ -	$ -
State's proportionate share of net pension liability associated with the District	61,768,898	71,035,375	55,622,770	49,245,122
Total	$ 61,768,898	$ 71,035,375	$ 55,622,770	$ 49,245,122
District's covered-employee payroll	$ 7,614,657	$ 7,471,574	$ 7,757,121	$ 7,574,940
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	39.83%	35.22%	42.49%	45.59%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available.
GASB 68 was implemented in fiscal year 2015.

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS TO PENSION PLAN
JUNE 30, 2018
Kentucky Teachers' Retirement System (KTRS)

	2018	2017	2016	2015
Contractually required contribution - On behalf payments - KDE	$ 2,366,342	$ 1,168,825	$ 1,150,353	$ 1,160,477
Contributions in relation to the contractually required contribution	2,366,342	1,168,825	1,150,353	1,160,477
Contribution deficiency	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 7,614,657	$ 7,471,574	$ 7,757,121	$ 7,574,940
Contributions as a percentage of covered-employee payroll	31.076%	15.644%	14.830%	15.320%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available.
GASB 68 was implemented in fiscal year 2015.

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – COUNTY EMPLOYEES RETIREMENT SYSTEM (NON-HAZARDOUS)

Changes in assumptions and benefit terms

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM

Changes of benefit terms **–** None

Changes of assumptions.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, 2017. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level of percentage of payroll, closed
Remaining amortization period	27.4 years
Asset valuation method	5-year smoothed market
Inflation	3.00 percent
Salary increase	3.50-7.30 percent, including inflation
Ultimate Investment rate of return*	7.50 percent, net of pension plan investment expense, Including inflation

*The actuarially determined contribution rates are determined using the interest smoothing methodology adopted by the Board.

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
JUNE 30, 2018
County Employees Retirement System

	2018
District's proportion of net OPEB liability (asset)	0.109423%
District's proportionate share of net OPEB liability (asset)	$ 2,199,777
District's covered - employee payroll	$ 2,775,104
District's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll	79.27%
Plan fiduciary net position as a percentage of total OPEB liability	52.40%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.

CALDELL COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED OPEB CONTRIBUTIONS
JUNE 30, 2018
County Employees Retirement System

	2018
Contractually required OPEB contribution	$ 130,430
Contributions in relation to the contractually required contribution	130,430
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 2,775,104
Contributions as a percentage of covered-employee payroll	4.70%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
JUNE 30, 2018
Medical Insurance Fund (KTRS)

		2018
District's proportion of collective net OPEB liability (asset)		0.121224%
District's proportionate share of collective net OPEB liability (asset)	$	4,323,000
State's proportionate share of collective net OPEB liability (asset) associated with the District		3,531,000
Total	$	7,854,000
District's covered-employee payroll	$	7,614,657
District's proportionate share of collective net OPEB liability (asset) as a percentage of its covered-employee payroll		103.14%
Plan fiduciary net position as a percentage of total OPEB liability		21.18%

*The amounts presented for each fiscal year determined as of June 30.

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED OPEB CONTRIBUTIONS
JUNE 30, 2018
Medical Insurance (KTRS)

	2018
Contractually required contribution - District	$ 207,691
Contractually required contribution - KDE	169,653
	$ 377,344
Contributions in relation to the contractually required contribution	377,344
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 7,614,657
Contributions as a percentage of covered-employee payroll	4.96%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB
JUNE 30, 2018

NOTE 1 – COUNTY EMPLOYEES RETIREMENT SYSTEM (NON-HAZARDOUS)

Changes in assumptions and benefit terms

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%

NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM

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

Methods and assumptions used in the actuarially determined contributions – The actuarially determined 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, 2017:

Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	30 years, open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	The current premium changed 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).

NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued

Life Insurance Plan

Plan description – Life Insurance Plan – 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.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

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, 2018, the Kentucky 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:

KTRS	Life Insurance Fund
District's proportionate share of net OPEB liability	$ -
State's proportionate share of net OPEB liability associated with the District	47,000
Total	$ 47,000

NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued

For the year ended June 30, 2018, the District recognized OPEB expense of $0 and revenue of $7,000 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Life Insurance Fund	
KTRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	-	-
Total	$ -	$ -

Of the total amount reported as deferred outflows of resources related to OPEB, $0 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Years Ending June 30,	
2019	$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-
	$ -

NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued

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

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50% - 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Municipal bond index rate	3.56%
Discount rate	7.50%
Single equivalent interest rate	7.50%, net of OPEB plan investment expense, including inflation

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

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

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

NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued

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

Asset Class*	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. large cap equity	38.40%	4.30%
U.S. small cap equity	2.60%	4.80%
Developed int'l equity	15.80%	5.20%
Emerging markets equity	4.20%	5.40%
Fixed income - inv grade	16.00%	1.20%
Real estate	6.00%	4.00%
Private equity	7.00%	6.60%
High yield	2.00%	4.30%
Other additional categories**	7.00%	3.30%
Cash (LIBOR)	1.00%	0.50%
Total	100.00%	

**As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.*
***Modeled as 50% high yield and 50% bank loans.*

**As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.*
***Modeled as 50% high yield and 50% bank loans.*

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.

NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, 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:

	KTRS - Life Insurance Fund		
	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
District's net pension liability	$ 79,000	$ 47,000	$ 22,000

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

	2018
District's proportion of the collective net OPEB liability (asset)	0.00%
District's proportionate share of collective net OPEB liability (asset)	$ -
State's proportionate share of collective net OPEB liability (asset) associated with the District	47,000
Total	$ 47,000
District's covered-employee payroll	$ 7,614,657
District's proportionate share of collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0%
Plan fiduciary net position as a percentage of total OPEB liability	79.99%

*The amounts presented for each fiscal year were determined as of June 30.

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.

NOTE 2 – KENTUCKY TEACHERS' RETIREMENT SYSTEM, continued

	2018
Contractually required contribution	$ 2,077
Contributions in relation to the contractually required contribution	2,077
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 7,614,657
Contributions as a percentage of covered-employee payroll	0.03%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available. GASB 75 was implemented in fiscal year 2018.

Notes to Required Supplementary Information – Life Insurance Plan

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 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, 2017:

Valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	30 years, open
Asset valuation method	Market value
Inflation	3.50%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

OTHER SUPPLEMENTARY INFORMATION

CALDWELL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 317,147	$ 86,567	$ 63	$ 26,988	$ 430,765
Total assets and resources	$ 317,147	$ 86,567	$ 63	$ 26,988	$ 430,765
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-	-
Fund Balances					
Nonspendable	-	-	-	-	-
Spendable					
Restricted	317,147	86,567	63	26,988	430,765
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	317,147	86,567	63	26,988	430,765
Total liabilities and fund balances	$ 317,147	86,567	$ 63	$ 26,988	$ 430,765

CALDWELL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Governmental Funds
REVENUES					
From local sources:					
Taxes					
Property	$ 633,394	$ -	$ -	$ -	$ 633,394
Earnings on investments	-	-	-	-	-
Other local revenues	-	-	-	32,289	32,289
Intergovernmental - state	366,194	174,429	63,206	-	603,829
Total revenues	999,588	174,429	63,206	32,289	1,269,512
EXPENDITURES					
Instruction	-	-	-	13,409	13,409
Student support	-	-	-	52	52
Instructional support	-	-	-	4,974	4,974
Building improvements	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
Debt service	-	-	745,959	-	745,959
Total expenditures	-	-	745,959	18,435	764,394
Excess (deficit) of revenues over (under) expenditures	999,588	174,429	(682,753)	13,854	505,118
Other financing sources (uses)					
Operating transfers in	-	-	682,753	-	682,753
Operating transfers out	(682,753)	(87,862)	-	-	(770,615)
Total other financing sources (uses)	(682,753)	(87,862)	682,753	-	(87,862)
Net change in fund balances	316,835	86,567	-	13,854	417,256
Fund balances, July 1, 2017	312	-	63	13,134	13,509
Fund balances, June 30, 2018	$ 317,147	$ 86,567	$ 63	$ 26,988	$ 430,765

CALDWELL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Cash Balance July 1, 2017	Receipts	Disbursements	Cash Balance June 30, 2018	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2018
Caldwell County High School	$ 156,482	$ 441,344	$ 436,772	$ 161,054	$ -	$ -	$ 161,054
Caldwell County Middle School	61,928	91,043	107,606	45,365	-	-	45,365
Caldwell County Elementary School	30,056	19,083	28,381	20,758	-	-	20,758
Caldwell County Primary School	23,559	27,143	28,543	22,159	-	-	22,159
Total activity funds	272,025	578,613	601,302	249,336	-	-	249,336
Hilltop Donations	2,352	-	108	2,244	-	-	2,244
Total agency funds	$ 274,377	$ 578,613	$ 601,410	$ 251,580	$ -	$ -	$ 251,580

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT FUNDS
SCHOOL ACTIVITY FUNDS – CALDWELL COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2018

	Cash Balance July 1, 2017	Receipts	Disbursements	Cash Balance June 30, 2018	Accounts Receivable	Accounts Payable	Cash Balance June 30, 2018
General	$ 9,946	$ 9,564	$ 10,428	$ 9,082	$ -	$ -	$ 9,082
Guidance	341	3,740	3,514	567	-	-	567
Lockers	3,028	-	3,028	-	-	-	-
Parking	3,038	860	1,158	2,740	-	-	2,740
Donations	607	-	300	307	-	-	307
Cashbox	-	20,550	20,550	-	-	-	-
Textbook	2,353	35	40	2,348	-	-	2,348
Testing funds	508	-	133	375	-	-	375
Coke	1,343	329	105	1,567	-	-	1,567
Ice cream	2,476	-	953	1,523	-	-	1,523
Faculty vending	412	2,378	1,094	1,696	-	-	1,696
Academic Club	1,530	2,088	2,120	1,498	-	-	1,498
Radio Club	-	10	-	10	-	-	10
Drone Club	1,040	90	829	301	-	-	301
STLP	104	462	547	19	-	-	19
Renaissance	66	581	641	6	-	-	6
Spanish	22	270	280	12	-	-	12
Math Club	1,805	1,926	3,093	638	-	-	638
Color Me Pi Run	2,794	-	2,794	-	-	-	-
History Club	258	-	258	-	-	-	-
Tiger Promotions	-	120	-	120	-	-	120
FBLA	3,721	17,192	18,550	2,363	-	-	2,363
FCCLA	737	-	737	-	-	-	-
FCA	587	-	256	331	-	-	331
FFA	11,689	37,263	35,776	13,176	-	-	13,176
National Honor Society	1,491	3,634	3,168	1,957	-	-	1,957
GT Academics	335	5,492	5,427	400	-	-	400
Spanish class	5	-	-	5	-	-	5
Student Council	588	3,609	3,155	1,042	-	-	1,042
Volleyball Club	619	-	619	-	-	-	-
Dodgeball Club	788	145	5	928	-	-	928
Agricultural	2,706	2,675	2,069	3,312	-	-	3,312
Land Labs	-	6,889	31	6,858	-	-	6,858
Art	1,888	2,223	2,489	1,622	-	-	1,622
Physical Education	1,119	2,015	2,994	140	-	-	140
Band	5,722	13,036	13,521	5,237	-	-	5,237
Business	372	795	502	665	-	-	665
English Department	53	71	20	104	-	-	104
FCS foods	274	-	274	-	-	-	-
Math Department	276	4,975	1,333	3,918	-	-	3,918
Greenhouse	14,402	8,542	6,547	16,397	-	-	16,397
FCS Home Economics	70	-	70	-	-	-	-
Childhood Development	92	-	92	-	-	-	-
Science	2,508	1,300	680	3,128	-	-	3,128
Tiger Graphics	2,525	3,327	3,191	2,661	-	-	2,661
Athletic	5,155	93,020	96,273	1,902	-	-	1,902
CCFFAA	4,273	20,661	22,322	2,612	-	-	2,612
Baseball	8,388	18,143	21,429	5,102	-	-	5,102
Softball	6,231	18,027	19,402	4,856	-	-	4,856
Concessions	-	6,608	2,856	3,752	-	-	3,752
Christmas Tournament	508	17,878	16,097	2,289	-	-	2,289

(continued)

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT FUNDS
SCHOOL ACTIVITY FUNDS – CALDWELL COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2018

	Cash Balance July 1, 2017	Receipts	Disbursements	Cash Balance June 30, 2018	Accounts Receivable	Accounts Payable	Cash Balance June 30, 2018
Girls' basketball	679	5,785	5,531	933	-	-	933
Boys' basketball	2,757	13,329	15,568	518	-	-	518
Girls' soccer	1,467	10,300	10,407	1,360	-	-	1,360
Concessions - soccer	3	4,456	4,459	-	-	-	-
Boys' soccer	2,323	7,854	7,109	3,068	-	-	3,068
Track team	841	3,324	3,606	559	-	-	559
Boys' cross country	50	-	-	50	-	-	50
Friends of Tennis	1,904	14,084	11,911	4,077	-	-	4,077
Volleyball	5,057	11,189	16,028	218	-	-	218
Wrestling	308	2,078	1,039	1,347	-	-	1,347
Stay Barnes Strong	-	9,497	9,480	17	-	-	17
Athletic Program	-	11,375	6,640	4,735	-	-	4,735
Class of 2018	7,300	1,535	6,330	2,505	-	-	2,505
Class of 2019	1,478	17,997	9,865	9,610	-	-	9,610
Class of 2020	-	733	40	693	-	-	693
Class of 2021	-	414	-	414	-	-	414
Annual	6,161	18,099	19,541	4,719	-	-	4,719
AmeriCorps	313	918	368	863	-	-	863
Library	388	115	464	39	-	-	39
Cheerleaders Blue	1,814	5,610	4,713	2,711	-	-	2,711
English Department savin	726	46	-	772	-	-	772
English Department CD	9,095	-	-	9,095	-	-	9,095
CCHS scholarship fund	5,025	15	-	5,040	-	-	5,040
DAF Athletics	-	4,053	3,908	145	-	-	145
	156,482	473,329	468,757	161,054	-	-	161,054
Less: Interfund transfers	-	(31,985)	(31,985)	-	-	-	-
Totals	$ 156,482	$ 441,344	$ 436,772	$ 161,054	$ -	$ -	$ 161,054

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
U.S. Department of Education				
Passed through State Department of Education:				
Title I Grants to Local Education Agencies	84.010	3100002-17	$ 470,496	
	84.010	3100002-16	98,221	
	84.010	3100002-15	4,703	$ 573,420
Special Education Cluster				
Special Education - Grants to States	84.027	3810002-17	253,239	
	84.027	3810002-16	215,325	
Special Education Preschool Grants	84.173	3800002-17	24,850	
	84.173	3800002-16	9,010	502,424
Migrant Education - State Grant Program	84.011	3110002-16		3,831
Career and Technical Education - Basic Grants to States	84.048	3710002-17	16,025	
	84.048	3710002-16	88	16,113
Rural School	84.358	3140002-17	28,168	
	84.358	3140002-16	2,854	31,022
Improving Teacher Quality State Grants	84.367	3230002-17	101,763	
	84.367	3230002-16	4,194	105,957
Total U. S. Department of Education				1,232,767
U.S. Department of Agriculture				
Passed through State Department of Education:				
School Breakfast Program	10.553	7760005-18	170,169	
	10.553	7760005-17	44,698	214,867
National School Lunch Program	10.555	7750002-18	577,412	
	10.555	7750002-17	152,254	
Noncash Assistance - Commodities (Note 5)	10.555	Fund 51	72,738	802,404
Total U.S. Department of Agriculture				1,017,271
Total Expenditures of Federal Awards				$ 2,250,038

See notes to Schedule of Expenditures of Federal Awards

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Caldwell County School District (the "District") under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 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. 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.

Pass-through entity identifying numbers are presented where available.

NOTE 3 – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE 4 – INDIRECT COST RATE

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

NOTE 5 – COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE

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CERTIFIED PUBLIC ACCOUNTANTS

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*

Kentucky State Committee
for School District Audits
Members of the Board of Education
Caldwell County School District
Princeton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Caldwell County School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing* Standards. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Caldwell County School District in a separate report dated November 9, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 9, 2018

SANDRA D. DUGUID, CPA
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Kentucky State Committee
for School District Audits
Members of the Board of Education
Caldwell County School District
Princeton, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Caldwell County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statues, 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract.* Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Caldwell 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, 2018.

Report on Internal Control over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 9, 2018

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes _X__ no

Significant deficiency(ies) identified? ___ yes _X_ none reported

Noncompliance material to financial statements noted? ___ yes _X_ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes _X_ no

Significant deficiency(ies) identified? ___ yes _X_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ___ yes _X_ no

Major programs:

Program Title	CFDA Number
Title I - Grants to Local Education Agencies	84.010

Dollar threshold to distinguish between type A and type B programs: $750,000

Auditee qualified as a low-risk auditee? _X__ yes ____ no

Findings – Financial Statement Audits

None

Findings and Questioned Costs – Major Federal Award Program Audit

None

CALDWELL COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no prior year findings to report for Caldwell County School District.

MANAGEMENT COMMENTS FOR AUDIT

SANDRA D. DUGUID, CPA
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November 9, 2018

Members of the Board of Education
Caldwell County School District
Princeton, Kentucky

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 9, 2018, contains our report on the District's internal control. This letter does not affect our report dated November 9, 2018, on the financial statements of Caldwell County School District.

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

We performed a follow up on the prior year findings with the status of these findings on pages 97-99 of this report.

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

Respectfully,

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

CALDWELL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2018

CALDWELL COUNTY PRIMARY SCHOOL

I. **Condition** – Transfers between activity accounts were made without proper approval.

Recommendation – Amounts transferred between activity accounts require the proper completion and approval of a transfer form.

Response – Transfer forms were completed, but some were not signed by the sponsor. We will make sure they are signed in the future.

II. **Condition** – F-SA-18, Donation Acceptance Form, was not properly completed indicating purpose of or any restriction on donation received from PTO.

Recommendation – F-SA-18, Donation Acceptance Form, should be properly completed stating the purpose of or any restriction on all donations received.

Response – I was not aware that the Donation Acceptance Form needed to be completed for PTO, but will be sure that it is completed in the future.

CALDWELL COUNTY ELEMENTARY SCHOOL

I. **Condition** – Bank statement was not reviewed and signed by principal prior to reconciliation procedures.

Recommendation – Segregation of duties procedures requires that the bank statement be reviewed and approved prior to reconciliation procedures.

Response – Principal was out of the office one date this summer and did not sign the statement until he returned to school. In the future, we will designate another administrator to sign in his absence.

II. **Condition** – F-SA-18, Donation Acceptance Form, was not properly completed indicating purpose of or any restriction on donation received from PTO.

Recommendation – F-SA-18, Donation Acceptance Form, should be properly completed stating the purpose of or any restriction on all donations received.

Response – A completed F-SA-18 form will be filled out properly for every PTO donation.

CALDWELL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2018

CALDWELL COUNTY MIDDLE SCHOOL

I. **Condition** – Inventory Control Worksheet, Form F-SA-5, and Sales Collection Form were not completed properly or timely.

Recommendation – Any stocked items held for resale require the use of the Inventory Control Worksheet detailing beginning and ending inventories, quantities, descriptions, values, units of measure and unit selling prices. The Sales Collection, Form F-SA-17, is to be used each time money is collected for sale of stocked items.

Response – Bookkeeper is manually tracking and sending reminder emails to appropriate teachers/sponsors ensuring that forms are completed timely.

II. **Condition** – No initials on deposit ticket of person verifying the deposit with the receipts.

Recommendation – Redbook procedures require that an employee other than the person preparing the deposit slip shall verify the amount on the deposit ticket agrees with the amount of receipts recorded, the deposit ticket has been validated by the bank and the employee initials the deposit ticket.

Response – Bookkeeper ensures that another employee is verifying that the amount on the deposit ticket agrees with the amount of receipts recorded, the deposit ticket has been validated by the bank and that the other employee initials or signs and dates deposit slip.

CALDWELL COUNTY HIGH SCHOOL

I. **Condition** – No initials on deposit ticket of person verifying the deposit with the receipts.

Recommendation – Redbook procedures require that an employee other than the person preparing the deposit slip shall verify the amount on the deposit ticket agrees with the amount of receipts recorded, the deposit ticket has been validated by the bank and the employee initials the deposit ticket.

Response – We will have guidance secretary or attendance secretary initial the deposit ticket and verify the receipts.

CALDWELL COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2018

CALDWELL COUNTY ELEMENTARY SCHOOL

I. **Condition** – Form F-SA-2B, Fundraiser Worksheet, was not completed properly.

Recommendation – Fundraisers where items are sold require the use and proper completion of the Fundraiser Worksheet, which is used to recap the profitability of a fundraiser period or event.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2018.

II. **Condition** – Funds disbursed were not used for the sole benefit of the students, but were used for purchases of classroom furniture and office supplies.

Recommendation – All activity fund expenditures should directly benefit students.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2018.

III. **Condition** – Transfers between activity accounts were made without proper completion of a Transfer Form F-SA-10.

Recommendation – Amounts transferred between activity accounts require the proper completion of a transfer form.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2018.

CALDWELL COUNTY MIDDLE SCHOOL

I. **Condition** – Form F-SA-6, Multiple Receipt Form, was not signed by student or properly completed.

Recommendation – The Multiple Receipt form must be completed when teachers, sponsors or students collect money and students third grade and above must sign the Multiple Receipt Form.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2018.

II. **Condition** – Form F-SA-2B, Fundraiser Worksheet, was not completed properly for the academic concessions, Cheerleader Candle Sales, and Sock Sale.

Recommendation – Fundraisers where items are sold require the use and proper completion of the Fundraiser Worksheet, which is used to recap the profitability of a fundraiser period or event.

Current Status – The finding was repeated at fiscal years ended June 30, 2018 and 2017.

Current Response – Bookkeeper is manually tracking and sending reminder emails to appropriate teachers/sponsors to ensure forms are completed timely and checking them for accuracy.

CALDWELL COUNTY MIDDLE SCHOOL, continued

III. **Condition** – Form F-SA-1, Requisition and Report of Ticket Sales, was not properly completed and signed.

Recommendation – Form F-SA-1, Requisition and Report of Ticket Sales, is to be used and properly completed and signed by the person in charge of sales, the ticket taker and the school treasurer when tickets are sold and funds collected.

Current Status – The finding was not repeated at fiscal year ended June 30, 2018.

CALDWELL COUNTY HIGH SCHOOL

I. **Condition** – Form F-SA-6, Multiple Receipt Form, was not signed by student or properly completed.

Recommendation – The Multiple Receipt form must be completed when teachers, sponsors, or students collect money and students third grade and above must sign the Multiple Receipt Form.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2018.

II. **Condition** – Inventory Control Worksheet, Form F-SA-5, and Sales Collection Forms were not used when selling inventory.

Recommendation – Any stocked items held for resale require the use of the Inventory Control Worksheet detailing beginning and ending inventories, quantities, descriptions, values, units of measure and unit selling prices. The Sales Collection, Form F-SA-17, is to be used each time money is collected for sale of stocked items.

Current Status – The finding was repeated for the fiscal year ended June 30, 2018.

Current Response – We had met with all persons involved using the Inventory Control Worksheet and the Sales Collection Forms. They were also given a copy of the Redbook and the proper forms to be used. Along with the parent's signature stating they have met with the bookkeeper and have knowledge of what is required for them to run the concession stands. Parents are normally running the concession stands. We will continue to meet and impress upon them how important these forms are to be used.

III. **Condition** – Form F-SA-1, Requisition and Report of Ticket Sales, was not properly completed and signed.

Recommendation – Form F-SA-1, Requisition and Report of Ticket Sales, is to be used and properly completed and signed by the person in charge of sales, the ticket taker and the school treasurer when tickets are sold and funds collected.

Current Status – The finding was not repeated at fiscal year ended June 30, 2018.

CALDWELL COUNTY HIGH SCHOOL, continued

IV. **Condition** – Form F-SA-2B, Fundraiser Worksheet, was not completed properly for the alumni game, apparel sales, district shirts, Black Patch pageant, strawberry sale, Great American sale.

Recommendation – Fundraisers, where items are sold require, the use and proper completion of the Fundraiser Worksheet, which is used to recap the profitability of a fundraiser period or event.

Current Status – The finding was not repeated at fiscal year ended June 30, 2018.

V. **Condition** – F-SA-18, Donation Acceptance Form, was not properly completed indicating purpose of or any restriction on donation received.

Recommendation – F-SA-18, Donation Acceptance Form, should be properly completed stating the purpose of or any restriction on donation received.

Current Status – The finding was not repeated at fiscal year ended June 30, 2018.