

**BEECHWOOD INDEPENDENT  
SCHOOL DISTRICT**

**June 30, 2019**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT INCLUDING SUPPLEMENTARY INFORMATION*



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## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Beechwood Independent School District  
Fort Mitchell, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Beechwood Independent School District (the District) as of and for the year ended June 30, 2019, 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 and 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 – Auditor Responsibilities, State Compliance Requirements, Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II – Submission Instructions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 Beechwood Independent School District as of June 30, 2019, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 - 6, budgetary comparison information on pages 47 - 50, the pension schedules on pages 51 - 52, and the OPEB schedules on pages 53 - 54 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 Beechwood Independent School District's basic financial statements. The combining and individual non-major fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and other supplementary information 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 non-major fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 1, 2019, on our consideration of the Beechwood Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Beechwood Independent School District's internal control over financial reporting and compliance.

*VonLehman & Company Inc.*

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED**

As management of the Beechwood Independent 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, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**Financial Highlights**

The District served 1,423 enrolled students in a unique preK-12 public school district located in Fort Mitchell, Kentucky. Throughout history, Beechwood schools have been noted for their sense of tradition and academic excellence.

The STEM lab classroom opened in school year 2018-2019. In May 2018, the Board passed a double equivalent nickel tax for future building improvements.

The General Fund had \$13,712,366 in revenue, which primarily consisted of local real estate and property taxes, the state program (SEEK), on-behalf payments, local out-of-district tuition, utilities, tax and motor vehicle taxes. Excluding inter-fund transfers, there was \$13,299,463 in General Fund expenditures.

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

The statement of net position presents information on all of the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the District at year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 7 through 9 of this report.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds of the District include its food service operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 10 through 14 of this report.

**Notes to the financial statements:** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 46 of this report.

**Government-Wide Financial Analysis**

As noted earlier, 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 approximately \$5.7 million as of June 30, 2019.

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. The table below provides a summary of the District's net position for 2019 compared to 2018.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

**Net Position for the Periods Ended June 30, 2019 and 2018**

	June 30,	
	2019	2018
Current Assets	\$ 5,758,095	\$ 6,403,708
Noncurrent Assets	30,809,360	30,826,020
Total Assets	36,567,455	37,229,728
Deferred Outflows of Resources	1,563,646	1,617,006
Total Assets and Deferred Outflows of Resources	38,131,101	38,846,734
Current Liabilities	1,282,631	1,731,673
Noncurrent Liabilities	30,543,468	31,193,065
Total Liabilities	31,826,099	32,924,738
Deferred Inflows of Resources	617,006	326,477
Total Liabilities and Deferred Inflows of Resources	32,443,105	33,251,215
Net Investment in Capital Assets	7,181,955	6,428,827
Restricted	2,897,358	3,720,579
Unrestricted	(4,391,317)	(4,553,887)
Total Net Position	\$ 5,687,996	\$ 5,595,519

A large portion of the District's net position reflects its net investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress). 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 restricted category of the District's net position represents resources that are subject to external restrictions on how they may be used. Restricted assets are mostly composed of remaining funds held for grant funding and construction purposes.

Total assets decreased by \$662,273. The District spent down bond proceeds on various capital improvement projects. This resulted in a decrease in escrow funds of \$767,097 as well as capital asset additions of \$992,735. The capital asset additions were offset by depreciation expense of \$1,009,131.

Total liabilities decreased by \$1,098,639. Accounts payable decreased by \$588,613 as a result of expenses being incurred in the prior year on capital improvement projects which were paid in the current year. Additionally, bonds payable decreased by \$778,425. \$790,000 of this decrease is the result of normal bond payments with remainder of the decrease being the result of bond premium and discount amortization.

Net position increased by \$92,477 during the year ended June 30, 2019. This increase is the result of an increase in property tax revenue of \$237,386 due to an increase in property assessments. Additionally, there was an increase in federal and state funding received in the current year. These increases were offset some by an increase in payroll related expenses.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2019 and 2018:

	June 30,	
	2019	2018
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 951,868	\$ 848,058
Operating Grants and Contributions	1,544,840	1,543,515
Capital Grants and Contributions	550,119	595,530
Total Program Revenues	<u>3,046,827</u>	<u>2,987,103</u>
General Revenues		
Taxes	6,280,034	6,042,648
Federal and State Aid not Restricted to Specific Purposes	7,766,098	7,694,928
Investment Earnings	144,120	97,828
Loss on Disposal of Capital Assets	(264)	-
Miscellaneous	275,635	648,027
Total General Revenues	<u>14,465,623</u>	<u>14,483,431</u>
Total Revenues	<u>17,512,450</u>	<u>17,470,534</u>
<b>Expenses</b>		
Instructional	9,899,731	9,573,603
Student Support Services	632,688	551,558
Instructional Staff Support Services	416,200	521,436
District Administration	570,405	625,167
School Administration	663,232	660,987
Business Support Services	489,980	582,238
Plant Operation and Maintenance	1,278,072	1,298,188
Student Transportation	75,141	66,922
Facilities Acquisition and Construction	-	49,507
Food Service Operations	580,275	528,363
Depreciation Expense	1,009,131	926,882
Pension Expense	601,135	527,810
OPEB Expense	360,459	344,379
Interest on Long-Term Debt	843,524	898,482
Total Expenses	<u>17,419,973</u>	<u>17,155,522</u>
Change in Net Position	<u>\$ 92,477</u>	<u>\$ 315,012</u>

Tax revenue increased \$237,386 due to the Board levying a double nickel tax in May 2018.

Decrease in Miscellaneous Revenues is the result of alumni donations of approximately \$263,000 for a new athletic building and STEM lab being received in the prior year that were not received during fiscal year 2019.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

An increase expenses of \$264,451 is due to an increase in payroll expense and additional purchases related to certain furniture and fixtures that did not meet the capitalization policy during the renovation of the STEM lab and athletic building.

The increase in Federal and State Aid not Restricted for Specific Purposes is primarily from an increase in state funding.

**Financial Analysis of the District's Major Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

*General Fund:* The general fund is the primary operating fund of the District. It is used to account for all financial transactions except those required to be accounted for in another fund. During the year ended June 30, 2019, the general fund had \$13,712,366 in revenue and \$13,299,463 in expenses before transfers to other funds.

*Debt Service Fund:* The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The fund balance of \$2,425,579 represents funds accumulated which are being held for a debt service payment of \$7,560,000 due in 2030.

*Construction Fund:* The construction fund accounts for the costs arising out of the construction, renovation, or remodeling of school facilities. The construction fund requires revenues and expenditures to be accounted for using a project number since it is a multi-year fund where the budgeted amounts may be received and expended over a period extending beyond one fiscal year.

*Special Revenue Fund:* The special revenue fund accounts for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt or capital projects. Project codes are used to distinguish specific revenue sources. During the year ended June 30, 2019, the special revenue fund had revenue of \$1,140,468 and expenses of \$1,232,452 before transfers in from the general fund.

**General Fund Budgetary Highlights**

- The District's total general fund revenues for the fiscal year ended June 30, 2019, excluding inter-fund transfers, were \$13,712,366.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$226,035 in excess of budget, or approximately 1.7%. This is the result of the District recording more "on behalf" payments made by the state than what was expected.
- The total cost of all programs and services, excluding inter-fund transfers, in the General Fund, was \$13,299,463.
- General fund actual expenditures were less than budgeted expenditures by \$1,824,672. This is mainly a result of the District not spending any of the funds that were budgeted for the contingency.
- The District recorded On-Behalf payments as revenues and expenditures during the fiscal year. The On-Behalf revenues and expenditures were included in the budget.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED  
(Continued)**

**Capital Assets**

At the end of fiscal year 2019, the District had a total of approximately \$30.8 million in capital assets net of accumulated depreciation, including approximately \$30.1 million for governmental activities and approximately \$680,000 for business type activities. Current year capital asset additions totaled approximately \$993,000. The majority of this was from HVAC upgrades in the high school. Additional information on the District's capital assets can be found in Note 3 to the financial statements.

**Debt Administration**

At June 30, 2019, the District had approximately \$23.7 million in outstanding bonds. No new debt was issued in the current year and payments of \$790,000 were made in accordance with normal payment schedules. Further information on the District's long-term debt can be found in Note 4 to the financial statements.

Additionally, the District has long-term obligations for compensated absences in the amount of \$102,158 outstanding at the end of the current fiscal year.

**Economic Factors and Next Year's Budgets and Rates**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The Board adopted a budget for 2019-2020 with \$1,698,034 in contingency (12.30%). The Board does not anticipate any additional construction or renovation during the year ended June 30, 2020 and no related bond issuance.

**Contacting the District's Financial Management**

Questions regarding this report should be directed to the Superintendent, Dr. Mike Stacy (859) 331-3250 or to Rae Wise, Director of Financial Services (859) 331-3250 or by mail at 50 Beechwood Road, Fort Mitchell, Kentucky, 41017.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 3,045,103	\$ 67,809	\$ 3,112,912
Escrow Funds	2,425,579	-	2,425,579
Accounts Receivable	169,614	-	169,614
Inventories	-	6,449	6,449
Prepaid Expenses	43,541	-	43,541
	<u>5,683,837</u>	<u>74,258</u>	<u>5,758,095</u>
<b>Noncurrent Assets</b>			
Nondepreciable Capital Assets			
Land	769,584	-	769,584
Depreciable Capital Assets			
Land Improvements	2,555,691	-	2,555,691
Buildings and Improvements	34,172,561	497,211	34,669,772
Vehicles	488,761	-	488,761
Technology Equipment	279,180	-	279,180
General Equipment	512,463	651,367	1,163,830
Less Accumulated Depreciation	<u>(8,652,569)</u>	<u>(464,889)</u>	<u>(9,117,458)</u>
	<u>30,125,671</u>	<u>683,689</u>	<u>30,809,360</u>
	<u>35,809,508</u>	<u>757,947</u>	<u>36,567,455</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows Related to Pension	805,244	131,975	937,219
Deferred Outflows Related to Other Postemployment Benefits	504,949	30,436	535,385
Deferred Loss on Refundings	91,042	-	91,042
	<u>1,401,235</u>	<u>162,411</u>	<u>1,563,646</u>
	<u>37,210,743</u>	<u>920,358</u>	<u>38,131,101</u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**  
(Continued)

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current Portion of Compensated Absences	\$ 11,286	\$ -	\$ 11,286
Current Portion of Bonds Payable	824,582	-	824,582
Accounts Payable	123,046	-	123,046
Accrued Expenses	135	-	135
Accrued Interest	116,792	-	116,792
Funds Received in Excess of Revenues Earned	206,790	-	206,790
Total Current Liabilities	1,282,631	-	1,282,631
<b>Noncurrent Liabilities</b>			
Noncurrent Portion of Compensated Absences	90,872	-	90,872
Noncurrent Portion of Bonds Payable	22,893,865	-	22,893,865
Net Pension Liability	2,622,940	429,887	3,052,827
Net Other Postemployment Benefits Liability	4,423,411	82,493	4,505,904
Total Noncurrent Liabilities	30,031,088	512,380	30,543,468
Total Liabilities	31,313,719	512,380	31,826,099
<b>Deferred Inflows of Resources</b>			
Deferred Inflows Related to Pension	191,813	31,437	223,250
Deferred Inflows Related to Other Postemployment Benefits	378,107	15,649	393,756
Total Deferred Inflows of Resources	569,920	47,086	617,006
Total Liabilities and Deferred Inflows of Resources	31,883,639	559,466	32,443,105
<b>Net Position</b>			
Net Investment in Capital Assets	6,498,266	683,689	7,181,955
Restricted for			
Debt Service Fund	2,425,579	-	2,425,579
Construction Fund	300,000	-	300,000
Special Revenue Fund	138,213	-	138,213
Building Fund	33,567	-	33,567
Unrestricted	(4,068,521)	(322,797)	(4,391,318)
<b>Total Net Position</b>	<b>\$ 5,327,104</b>	<b>\$ 360,892</b>	<b>\$ 5,687,996</b>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
<b>Governmental Activities</b>							
Instructional	\$ 9,899,731	\$ 455,308	\$ 1,511,769	\$ 117,042	\$ (7,815,612)	\$ -	\$ (7,815,612)
Support Services							
Student	632,688	-	-	-	(632,688)	-	(632,688)
Instructional Staff	416,200	-	-	-	(416,200)	-	(416,200)
District Administration	570,405	-	-	-	(570,405)	-	(570,405)
School Administration	663,232	-	-	-	(663,232)	-	(663,232)
Business Support Services	489,980	-	-	-	(489,980)	-	(489,980)
Plant Operation and Maintenance	1,278,072	-	-	-	(1,278,072)	-	(1,278,072)
Student Transportation	75,141	11,500	-	-	(63,641)	-	(63,641)
Depreciation Expense	944,990	-	-	-	(944,990)	-	(944,990)
Pension Expense	508,634	-	-	-	(508,634)	-	(508,634)
Other Postemployment Benefits Expense	347,485	-	-	-	(347,485)	-	(347,485)
Interest on Long-Term Debt	843,524	-	-	433,077	(410,447)	-	(410,447)
<b>Total Governmental Activities</b>	<b>16,670,082</b>	<b>466,808</b>	<b>1,511,769</b>	<b>550,119</b>	<b>(14,141,386)</b>	<b>-</b>	<b>(14,141,386)</b>
<b>Business-Type Activities</b>							
Food Service Operations	580,275	485,060	33,071	-	-	(62,144)	(62,144)
Depreciation Expense	64,141	-	-	-	-	(64,141)	(64,141)
Pension Expense	92,501	-	-	-	-	(92,501)	(92,501)
Other Postemployment Benefit Expense	12,974	-	-	-	-	(12,974)	(12,974)
<b>Total Business-Type Activities</b>	<b>749,891</b>	<b>485,060</b>	<b>33,071</b>	<b>-</b>	<b>-</b>	<b>(231,760)</b>	<b>(231,760)</b>
<b>Total School District</b>	<b>\$ 17,419,973</b>	<b>\$ 951,868</b>	<b>\$ 1,544,840</b>	<b>\$ 550,119</b>	<b>(14,141,386)</b>	<b>(231,760)</b>	<b>(14,373,146)</b>
<b>General Revenues</b>							
Taxes					6,280,034	-	6,280,034
Federal and State Aid not Restricted to Specific Purposes					7,766,098	-	7,766,098
Investment Earnings					142,670	1,450	144,120
Loss on Disposal of Capital Assets					(264)	-	(264)
Miscellaneous					275,635	-	275,635
<b>Total General Revenues</b>					<b>14,464,173</b>	<b>1,450</b>	<b>14,465,623</b>
Transfers, Net					(100,000)	100,000	-
<b>Change in Net Position</b>					<b>222,787</b>	<b>(130,310)</b>	<b>92,477</b>
<b>Net Position July 1, 2018</b>					<b>5,104,317</b>	<b>491,202</b>	<b>5,595,519</b>
<b>Net Position June 30, 2019</b>					<b>\$ 5,327,104</b>	<b>\$ 360,892</b>	<b>\$ 5,687,996</b>

See accompanying notes.

**FUND FINANCIAL STATEMENTS**

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 1,746,133	\$ -	\$ 379,558	\$ 810,132	\$ 109,280	\$ 3,045,103
Escrow Funds	-	2,425,579	-	-	-	2,425,579
Accounts Receivable	97,751	-	-	71,863	-	169,614
Prepaid Expenses	43,541	-	-	-	-	43,541
<b>Total Assets</b>	<u>\$ 1,887,425</u>	<u>\$ 2,425,579</u>	<u>\$ 379,558</u>	<u>\$ 881,995</u>	<u>\$ 109,280</u>	<u>\$ 5,683,837</u>
<b>Liabilities</b>						
Accounts Payable	\$ 43,198	\$ -	\$ 79,558	\$ 290	\$ -	\$ 123,046
Accrued Expenses	135	-	-	-	-	135
Unearned Revenues	51,150	-	-	155,640	-	206,790
<b>Total Liabilities</b>	<u>94,483</u>	<u>-</u>	<u>79,558</u>	<u>155,930</u>	<u>-</u>	<u>329,971</u>
<b>Fund Balances</b>						
Nonspendable	43,541	-	-	-	-	43,541
Restricted						
Debt Service Fund	-	2,425,579	-	-	-	2,425,579
Construction Fund	-	-	300,000	-	-	300,000
Special Revenue Fund	-	-	-	62,500	75,713	138,213
Building Fund	-	-	-	-	33,567	33,567
Accumulated Sick Leave	66,955	-	-	-	-	66,955
Committed	-	-	-	663,565	-	663,565
Unassigned	1,682,446	-	-	-	-	1,682,446
<b>Total Fund Balances</b>	<u>1,792,942</u>	<u>2,425,579</u>	<u>300,000</u>	<u>726,065</u>	<u>109,280</u>	<u>5,353,866</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,887,425</u>	<u>\$ 2,425,579</u>	<u>\$ 379,558</u>	<u>\$ 881,995</u>	<u>\$ 109,280</u>	<u>\$ 5,683,837</u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

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

Total Governmental Funds Balance		\$ 5,353,866
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 38,778,240	
Accumulated Depreciation	<u>(8,652,569)</u>	30,125,671
Deferred loss on refunding, net is not a financial resource and therefore is reported as an asset in governmental funds		
		91,042
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pension	805,244	
Deferred Outflows of Resources Related to Other Postemployment Benefits	504,949	
Deferred Inflows of Resources Related to Pension	(191,813)	
Deferred Inflows of Resources Related to Other Postemployment Benefits	<u>(378,107)</u>	740,273
Long-term liabilities, including bonds payable, compensated absences, net pension obligations, and net other postemployment benefit obligations, are not due and payable in the current period and; therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	23,860,000	
Bond Premiums	14,347	
Bond Discounts	(155,900)	
Accrued Interest on Bonds	116,792	
Accumulated Compensated Absences	102,158	
Net Pension Liability	2,622,940	
Net Other Postemployment Benefit Liability	<u>4,423,411</u>	<u>(30,983,748)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$ <u><u>5,327,104</u></u></b>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Construction Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Taxes	\$ 5,585,302	\$ -	\$ -	\$ -	\$ 694,732	\$ 6,280,034
Tuition and Fees	455,308	-	-	-	-	455,308
Earnings on Investments	81,882	53,850	5,948	990	-	142,670
Student Activities	-	-	-	60,284	-	60,284
State Sources	7,440,786	517,123	-	500,945	516,209	8,975,063
Federal Sources	14,079	352,437	-	479,069	-	845,585
Other Sources	135,009	-	-	99,180	-	234,189
<b>Total Revenues</b>	<b>13,712,366</b>	<b>923,410</b>	<b>5,948</b>	<b>1,140,468</b>	<b>1,210,941</b>	<b>16,993,133</b>
<b>Expenditures</b>						
Instructional	8,868,830	-	-	1,228,289	-	10,097,119
Support Services						
Student	661,438	-	-	493	-	661,931
Instructional Staff	426,431	-	-	-	-	426,431
District Administration	580,078	-	-	3,670	-	583,748
School Administration	704,514	-	-	-	-	704,514
Business	535,495	-	-	-	-	535,495
Plant Operation and Maintenance	1,404,746	-	-	-	-	1,404,746
Student Transportation	117,931	-	-	-	-	117,931
Building Improvements	-	-	905,018	-	-	905,018
Debt Service						
Principal	-	790,000	-	-	-	790,000
Interest	-	829,035	-	-	-	829,035
<b>Total Expenditures</b>	<b>13,299,463</b>	<b>1,619,035</b>	<b>905,018</b>	<b>1,232,452</b>	<b>-</b>	<b>17,055,968</b>
Excess (Deficit) of Revenues Over Expenditures	412,903	(695,625)	(899,070)	(91,984)	1,210,941	(62,835)
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	185,119	1,068,915	123,986	377,216	-	1,755,236
Operating Transfers Out	(601,202)	-	-	-	(1,254,034)	(1,855,236)
<b>Total Other Financing (Uses) Sources</b>	<b>(416,083)</b>	<b>1,068,915</b>	<b>123,986</b>	<b>377,216</b>	<b>(1,254,034)</b>	<b>(100,000)</b>
Net Change in Fund Balance	(3,180)	373,290	(775,084)	285,232	(43,093)	(162,835)
<b>Fund Balance July 1, 2018</b>	<b>1,796,122</b>	<b>2,052,289</b>	<b>1,075,084</b>	<b>440,833</b>	<b>152,373</b>	<b>5,516,701</b>
<b>Fund Balance June 30, 2019</b>	<b>\$ 1,792,942</b>	<b>\$ 2,425,579</b>	<b>\$ 300,000</b>	<b>\$ 726,065</b>	<b>\$ 109,280</b>	<b>\$ 5,353,866</b>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

**Net Changes in Total Fund Balances Per Fund Financial Statements** \$ (162,835)

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

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.

Depreciation Expense	\$ (944,990)	
Capital Outlays	<u>992,735</u>	47,745

The difference between the proceeds related to the sale of capital assets and the net book value of those assets disposed of during the year is shown as a loss on disposal of capital assets on the statement of net position and is not reported in the governmental funds as the costs of these capital assets were reported as an expenditure at the time of acquisition. (264)

Deferred losses on refunding are reported in the governmental funds as an other financing source. However, for governmental activities those items are shown in the statement of net position and allocated over the term of the bond in the statement. (8,637)

Premiums on bonds are reported in the governmental funds as an other financing source. However, for governmental activities those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities. This is the amount of current year amortization of the premium. 1,145

Discounts on bonds are reported in the governmental funds as an other financing source. However, for governmental activities those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities. This is the amount of current year amortization of the discount. (12,720)

Repayment of bond principal is an expenditure in the governmental funds but, it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 790,000

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019  
(Continued)**

In the statement of activities, compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these amounts are measured by the amount of financial resources used (essentially, the amounts actually paid.) The difference in expenses reported in the statement of activities is as a result of the change in accumulated sick leave.

\$ (11,749)

Governmental funds report District other postemployment benefit contributions as expenditures. However, other postemployment benefit expense is reported in the statement of activities. This is the amount by which other postemployment benefit expense exceeded contributions.

District Other Postemployment Benefit Contributions - June 30, 2018	\$	(287,937)	
District Other Postemployment Benefit Contributions - June 30, 2019		260,359	
Change in Other Postemployment Benefit Liability		<u>(69,097)</u>	(96,675)

Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District Pension Contributions - June 30, 2018		(181,410)	
District Pension Contributions - June 30, 2019		209,136	
Cost of Benefits Earned Net of Employee Contributions		<u>(356,672)</u>	(328,946)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest expense reported in the statement of activities is as a result of (1) the change in accrued interest on bonds and (2) refunding losses and gains not expended within the fund statements.

5,723

**Change in Net Position of Governmental Activities**

**\$ 222,787**

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019**

	<u><b>Food Service Fund</b></u>
<b>Assets and Deferred Outflows of Resources</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 67,809
Inventories	<u>6,449</u>
Total Current Assets	<u>74,258</u>
<b>Noncurrent Assets</b>	
Buildings and Improvements	497,211
General Equipment	651,367
Less Accumulated Depreciation	<u>(464,889)</u>
Total Noncurrent Assets	<u>683,689</u>
Total Assets	<u>757,947</u>
<b>Deferred Outflows of Resources</b>	
Deferred Outflows Related to Pension	131,975
Deferred Outflows Related to Other Postemployment Benefits	<u>30,436</u>
Total Deferred Outflows of Resources	<u>162,411</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 920,358</u></u>
<b>Liabilities</b>	
<b>Noncurrent Liabilities</b>	
Net Pension Liability	429,887
Net Other Postemployment Benefits Liability	<u>82,493</u>
Total Liabilities	<u>512,380</u>
<b>Deferred Inflows of Resources</b>	
Deferred Inflows Related to Pension	31,437
Deferred Inflows Related to Other Postemployment Benefits	<u>15,649</u>
Total Deferred Inflows of Resources	<u>47,086</u>
Total Liabilities and Deferred Inflows of Resources	<u>559,466</u>
<b>Net Position</b>	
Net Investment in Capital Assets	683,689
Unrestricted	<u>(322,797)</u>
Total Net Position	<u>360,892</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 920,358</u></u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2019**

	<b>Food Service Fund</b>
<b>Operating Revenues</b>	
Lunchroom Sales	\$ <u>485,060</u>
<b>Operating Expenses</b>	
Salaries and Benefits	238,248
Contract Services	7,556
Materials and Supplies	334,471
Depreciation	64,141
Pension Expense	92,501
Other Postemployment Benefit Expense	<u>12,974</u>
Total Operating Expenses	<u>749,891</u>
Loss Before Non-Operating Revenues	<u>(264,831)</u>
<b>Non-Operating Revenues</b>	
State Grants	33,071
Interest Income	<u>1,450</u>
Total Non-Operating Revenues	<u>34,521</u>
<b>Transfers</b>	
Operating Transfers In	<u>100,000</u>
Change in Net Position	(130,310)
<b>Net Position July 1, 2018</b>	<u>491,202</u>
<b>Net Position June 30, 2019</b>	<u><u>\$ 360,892</u></u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2019**

	<b>Food Service Fund</b>
<b>Cash Flows From Operating Activities</b>	
Cash Received from Lunchroom Sales	\$ 485,060
Cash Payments to Employees for Services	(244,177)
Cash Payments to Suppliers for Goods and Services	<u>(340,028)</u>
Net Cash Used by Operating Activities	(99,145)
<b>Cash Flows From Investing Activities</b>	
Interest on Investments	1,450
<b>Cash Flows From Financing Activities</b>	
Interfund Transfer	<u>100,000</u>
Net Increase in Cash and Cash Equivalents	2,305
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>65,504</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 67,809</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>	
Operating Loss	\$ (264,831)
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities</b>	
Depreciation	64,141
State On Behalf Payments	33,071
Change in Assets and Liabilities	
Decrease in Inventories for Consumption	2,093
Decrease in Deferred Outflows Related to Pension	8,362
Increase in Deferred Outflows Related to Other Postemployment Benefits	(3,527)
Decrease in Accounts Payable	(94)
Increase in Net Pension Liability	57,584
Decrease in Net Other Postemployment Benefit Liability	(4,161)
Decrease in Deferred Inflows Related to Pension	(2,895)
Increase in Deferred Inflows Related to Other Postemployment Benefits	<u>11,112</u>
<b>Net Cash Used by Operating Activities</b>	<u><u>\$ (99,145)</u></u>
<b>Supplemental Schedule of Noncash Capital and Related Financing Activities:</b>	
On-Behalf Payments	<u><u>\$ 33,071</u></u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019**

	<b>School Activity Funds</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 143,712
Accounts Receivable	<u>2,000</u>
Total Assets	<u>\$ 145,712</u>
<b>Liabilities</b>	
Accounts Payable	\$ 21,712
Due to Student Groups	<u>124,000</u>
Total Liabilities	<u>\$ 145,712</u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Government-Wide Financial Statements**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information on all of the governmental activities of Beechwood Independent School District as a whole. Fiduciary activities are not included in the government-wide financial statements. All fiduciary activities are reported only in the fund financial statements.

**Reporting Entity**

The Beechwood Independent Board of Education (the 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 Beechwood Independent School District (the District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Beechwood Independent School 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 Board 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 Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the Beechwood Independent School Board Finance Corporation are included in the accompanying financial statements. In 1990 the Board resolved to authorize the establishment of the Beechwood Independent School Board Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) (the Corporation) as an agency of the Board for financing the costs of school building facilities. The members of the Board 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. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

Fund Financial Statements - Fund financial statements provide information about the District's funds, including its fiduciary fund. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The District has the following funds:

**I. Governmental Fund Types**

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky law. This is a major fund of the District.
- (C) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- (E) The Capital Outlay Fund is used to account for financial resources to be used for the acquisition of capital assets. This is not a major fund of the District.
- (F) The Building Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment. This is not a major fund of the District.

**II. Proprietary Fund Types (Enterprise Funds)**

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

**III. Fiduciary Fund Type (Agency Funds)**

- The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as transfers in/out. While reported in fund financial statements, interfund transfers are not included in government-wide financial statements.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transaction or events for recognition in the financial statements.

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

Government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end. Expenditures are recorded when the liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

**Budgetary Process**

The District’s budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year but are nevertheless reflected in the overall budget.

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Cash and Cash Equivalents**

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

**Inventories**

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

**Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 for food services equipment, \$5,000 for technology equipment and general equipment, and \$10,000 for land and building improvements. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Land Improvements	20 Years
Buildings and Improvements	25 - 50 Years
Vehicles	5 - 10 Years
Technology Equipment	5 Years
General Equipment	15 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, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from Governmental Funds are reported as a liability in the Fund financial statements, only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from Governmental Funds are not recognized as a liability in the Fund financial statements until due.

**Compensated Absences**

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

**Interfund Balances**

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

**Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred outflows of resources related to pensions and other postemployment benefits.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time. A deferred gain on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred inflows of resources related to pensions and other postemployment benefits.

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

**Pensions**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

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

**Net Position**

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

**Fund Balance Reserves**

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Non-spendable fund balance* - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - amounts constrained to specific purposes by the District itself, using its decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.
- *Assigned fund balance* - amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District, or by an official or body, to which the District delegates the authority.
- *Unassigned fund balance* - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

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

**Encumbrances**

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

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

**Revenues and Expenditures/Expenses**

**Program Revenues:** Amounts reported as program revenues include 1) charges to customer who purchase or use goods, service, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included amount program revenues are reported instead as general revenues.

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

**Grants:** Unreimbursed expenditures due from grantor agencies are reflected in the government-wide financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as unearned revenues on the Balance Sheet and funds received in excess of revenues earned on the Statement of Net Position.

**Operating Revenues and Expenses:** Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. For the District, those revenues are primarily charges for meals provided by the various schools. Expenses are primarily payroll, food costs, and supply purchases.

**Interfund Activity**

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

**NOTE 2 - CASH AND CASH EQUIVALENTS**

At year end, the District had on deposit, cash and cash equivalents totaling \$5,943,465. Of the total cash balance, \$500,000 was covered by the Federal Depository Insurance Corporation (FDIC), with the remainder that is covered by a collateral agreement held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2019, consist of the following:

	June 30, 2019
Bank Balance	\$ <u>5,943,465</u>
Book Balance	\$ <u>5,682,203</u>

**NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)**

Funds held in escrow for future debt payments was \$2,425,579 for the year ended June 30, 2019.

Allocation per financial statements:

	<u>June 30, 2019</u>
Governmental Funds	\$ 3,045,103
Governmental Funds - Escrow Funds	2,425,579
Proprietary Funds	67,809
Fiduciary Funds	<u>143,712</u>
	<u>\$ 5,682,203</u>

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions / Transfers</u>	<u>Deductions / Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Land	\$ 769,584	\$ -	\$ -	\$ 769,584
Construction In Progress	1,655,508	-	(1,655,508)	-
Land Improvements	2,555,691	-	-	2,555,691
Buildings and Improvements	31,725,491	2,447,070	-	34,172,561
Vehicles	450,552	38,209	-	488,761
Technology Equipment	279,180	-	-	279,180
General Equipment	<u>377,375</u>	<u>162,964</u>	<u>(27,876)</u>	<u>512,463</u>
Total at Historical Cost	<u>37,813,381</u>	<u>2,648,243</u>	<u>(1,683,384)</u>	<u>38,778,240</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	566,595	141,605	-	708,200
Buildings and Improvements	6,322,031	757,769	-	7,079,800
Vehicles	380,130	16,476	-	396,606
Technology Equipment	244,454	8,374	-	252,828
General Equipment	<u>221,981</u>	<u>20,766</u>	<u>(27,612)</u>	<u>215,135</u>
Total Accumulated Depreciation	<u>7,735,191</u>	<u>944,990</u>	<u>(27,612)</u>	<u>8,652,569</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 30,078,190</u>	<u>\$ 1,703,253</u>	<u>\$ (1,655,772)</u>	<u>\$ 30,125,671</u>

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**

**NOTE 3 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Additions / Transfers</u>	<u>Deductions / Transfers</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Buildings and Improvements	\$ 497,211	\$ -	\$ -	\$ 497,211
General Equipment	651,367	-	-	651,367
Total at Historic Cost	<u>1,148,578</u>	<u>-</u>	<u>-</u>	<u>1,148,578</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	154,026	17,565	-	171,591
General Equipment	246,722	46,576	-	293,298
Total Accumulated Depreciation	<u>400,748</u>	<u>64,141</u>	<u>-</u>	<u>464,889</u>
<b>Business-Type Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 747,830</u>	<u>\$ (64,141)</u>	<u>\$ -</u>	<u>\$ 683,689</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as unallocated.

**NOTE 4 - DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Beechwood Independent School District Finance Corporation.

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2019.

	<u>Amount of Debt Outstanding July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Debt Outstanding June 30, 2019</u>	<u>Amounts Expected to be Paid Within One Year</u>
<b>Governmental Activities</b>					
<b>General Obligation</b>					
Bonds	\$ 24,650,000	\$ -	\$ 790,000	\$ 23,860,000	\$ 835,000
Unamortized Premium	15,492	-	1,145	14,347	1,143
Unamortized Discount	(168,620)	-	(12,720)	(155,900)	(11,561)
	<u>\$ 24,496,872</u>	<u>\$ -</u>	<u>\$ 778,425</u>	<u>\$ 23,718,447</u>	<u>\$ 824,582</u>

**NOTE 4 - DEBT AND LEASE OBLIGATIONS (Continued)**

The repayment of general obligation bonds includes the following:

Paid by the District	\$ 672,958
Paid by the Kentucky School Facility Construction Commission	<u>117,042</u>
	<u>\$ 790,000</u>

**Bonds**

The District, through the General Fund, (including Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the sponsoring governmental entity to construct school facilities.

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

The original amount of each outstanding issue, the issue date, interest rates and outstanding balances at June 30, 2019 are summarized below:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest</u>	<u>Outstanding Balance at June 30, 2019</u>
November, 2007	\$ 2,125,000	3.30 - 5.65 %	\$ 235,000
December, 2011	7,560,000	5.00	7,560,000
July, 2014	5,315,000	1.65 - 3.25	4,430,000
April, 2015	4,475,000	2.00 - 3.10	4,055,000
May, 2016	3,240,000	2.00 - 3.00	3,110,000
October, 2016	2,940,000	2.00 - 2.375	2,585,000
April, 2018	1,900,000	3.00 - 3.50	1,885,000
Plus: Unamortized Bond Premium			14,347
Less: Unamortized Bond Discounts			<u>(155,900)</u>
			<u>\$ 23,718,447</u>

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**

**NOTE 4 - DEBT AND LEASE OBLIGATIONS (Continued)**

All issues may be called prior to maturity at dates 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 District, at June 30, 2019 for debt service (principal and interest) are as follows:

Fiscal Year	Beechwood Independent School District		KY School Facilities Construction Commission		Federal Rebate	Total
	Principal	Interest	Principal	Interest		
2019-20	\$ 716,028	\$ 379,928	\$ 118,972	\$ 53,149	\$ (375,732)	\$ 892,345
2020-21	738,684	359,254	121,316	50,803	(375,732)	894,325
2021-22	751,290	345,250	123,710	48,410	(375,732)	892,928
2022-23	763,847	331,031	126,153	45,967	(375,732)	891,266
2023-24	780,957	314,074	129,043	43,076	(375,732)	891,418
2024-25	797,463	293,767	132,537	39,583	(375,732)	887,618
2025-26	818,806	273,419	136,194	35,925	(375,732)	888,612
2026-27	840,045	253,711	139,955	32,164	(375,732)	890,143
2027-28	861,107	232,074	143,893	28,226	(375,732)	889,568
2028-29	886,982	209,111	148,018	24,101	(375,732)	892,480
2029-30	911,152	184,165	133,848	19,854	(375,732)	873,287
2030-31	928,811	163,538	7,646,189	16,549	(187,866)	8,567,221
2031-32	773,190	140,376	86,810	13,912	-	1,014,288
2032-33	799,526	117,058	90,474	11,255	-	1,018,313
2033-34	821,756	92,940	93,244	8,485	-	1,016,425
2034-35	848,873	68,091	96,127	5,603	-	1,018,694
2035-36	730,794	42,393	24,206	2,632	-	800,025
2036-37	269,948	19,216	25,052	1,784	-	316,000
2037-38	279,071	9,767	25,929	908	-	315,675
	<u>\$ 14,318,330</u>	<u>\$ 3,829,163</u>	<u>\$ 9,541,670</u>	<u>\$ 482,386</u>	<u>\$ (4,320,918)</u>	<u>\$ 23,850,631</u>

**NOTE 5 - COMPENSATED ABSENCES**

Upon providing proof of qualification as an annuitant from the Kentucky Teachers' Retirement System, certified and classified employees will receive from the District, an amount equal to 30% of the value of accumulated sick leave. At June 30, 2019, this amount totaled approximately \$58,707 for those employees with twenty-seven or more years of experience.

Changes in the District's compensated absences during fiscal year 2019 were as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Expected to be Paid Within One Year
Governmental Activities					
Compensated Absences	\$ 90,409	\$ 29,195	\$ 17,446	\$ 102,158	\$ 11,286

Compensated absences will be liquidated by the General Fund.

**NOTE 6 - COMMITMENTS UNDER NON-CAPITALIZED LEASES**

The District has operating leases for laptops and six copiers that expire at various dates through July, 2023. Expenditures for the equipment under these operating leases totaled \$45,637 for the year ended June 30, 2019.

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

Years Ending June 30,		
2020	\$	45,277
2021		9,991
2022		7,868
2023		7,868
2024		656
	\$	71,660

**NOTE 7 - PENSION PLANS**

***Kentucky Teachers' Retirement System***

Certified employees participate in the Kentucky Teachers' Retirement System (TRS), which is a cost sharing, multiple-employer retirement system created by, and operating under, Kentucky law.

The Kentucky Teachers' Retirement System covers all regular certified full-time employees of each school district. The plan provides for retirement, disability and death benefits. TRS issues a publicly available financial report that includes financial statements and required supplementary information.

The report may be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

Participating employees contribute 12.855% of creditable compensation. Matching contributions are made by the state. These on behalf payments are reflected in the District's financial records and amounted to \$1,923,407 for 2019. The matching contributions are paid by the federal program for any salaries paid by that program. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems. The District contributed 16.105% of the employee's compensation paid by federal programs for the fiscal year ended June 30, 2019. In addition, the District contributed 3.00% of the employee's compensation to the retiree medical insurance fund for employees who are not in federally funded positions.

The District's required contributions for pension obligations to TRS for the fiscal years ended June 30, 2019, 2018, and 2017 were \$1,087,085 (composed of \$231,198 from the District and \$855,887 from the employees), \$1,059,162, and \$1,031,328, respectively; 100% has been contributed for fiscal years 2019, 2018, and 2017.

The State's proportionate share of the net pension liability associated with the District is \$3,052,827. For the year ended June 30, 2019, the District recognized revenue of \$1,923,407 for support provided by the State.

**NOTE 7 - PENSION PLANS (Continued)**

***County Employees Retirement System***

**General Information about the Pension Plan**

*Plan description:* County Employees Retirement System (CERS) consists of two plans, Non-hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension 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 non-hazardous system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

**Tier 1: Retirement Eligibility for Members Whose Participation  
Began Before 09/01/2008**

<b>Age</b>	<b>Years of Service</b>	<b>Allowance Reduction</b>
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

**Tier 2: Retirement Eligibility for Members Whose Participation  
Began On or After 09/01/2008 but Before 01/01/2014**

<b>Age</b>	<b>Years of Service</b>	<b>Allowance Reduction</b>
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

**Tier 3: Retirement Eligibility for Members Whose Participation  
Began On or After 01/01/2014**

<b>Age</b>	<b>Years of Service</b>	<b>Allowance Reduction</b>
65	5	None
57	Rule of 87	None

**NOTE 7 - PENSION PLANS (Continued)**

<b>Benefit Formula for Tiers 1 &amp; 2</b>				
<b>Final Compensation</b>	<b>X</b>	<b>Benefit Factor</b>	<b>X</b>	<b>Years of Service</b>
Average of the five highest if participation began before 09/01/2008.		2.20% if:		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
			Member begins participating prior to 08/01/2004.	
Average of the last complete five if participation began on or after 09/01/2008 but before 01/01/2014.		2.20% if:		
			Member begins participating on or after 08/01/2004 and before 09/01/2008.	
		Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if:	Member begins participating on or after 09/01/2008 but before 01/01/2014.	

\* **Service (and Benefit Factor): 10 years or less (1.10%); 10 - 20 years (1.30%); 20 -26 years (1.50%); 26 - 30 years (1.75%)**

<b>Benefit Formula for Tier 3</b>					
<b>(A-B) = C X 75% = D then B+D = Interest</b>					
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>		
<b>5 Year Geometric Average Return</b>	<b>Less Guarantee Rate</b>	<b>Upside Sharing Interest</b>	<b>Interest Rate Earned</b>	<b>Interest Rate Earned (4% + Upside)</b>	<b>Total Interest Credited to Members' Account</b>
7.39%	4.00%	3.39%	2.54%	6.54%	\$ 4,786,000

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the higher of 20% for non-hazardous of final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for non-hazardous of the member's monthly final rate of pay or the annuitized account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

**NOTE 7 - PENSION PLANS (Continued)**

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

During the 2018 legislative session, House Bill 185 was enacted, which provided increased pension benefits for the beneficiaries of active members who die in the line of duty.

*Contributions:* The employee contribution rate is set by state statute. For the years ended June 30, 2019 non-hazardous employees contribute 5.00% of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

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, 2019, participating employers contributed 21.48% (16.22% pension fund and 5.26% insurance fund) for the non-hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years were a percentage of each employee's creditable compensation. Contributions to the pension fund from the District excluding insurance contributions were \$209,136 for the year ended June 30, 2019.

**NOTE 7 - PENSION PLANS (Continued)**

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

At June 30, 2019, the District reported a liability of \$3,052,827 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2019, the District's proportion for the non-hazardous system was 0.050126%, which was an increase of 0.003625% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$601,135. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 141,960	\$ 178,563
Difference Between Expected and Actual Experience	99,575	44,687
Changes of Assumptions	298,350	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	188,198	-
District Contributions Subsequent to the Measurement Date	209,136	-
Total	\$ 937,219	\$ 223,250

The \$209,136 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2020	\$ 341,546
2021	191,715
2022	(12,046)
2023	(16,382)
Total	\$ 504,833

**NOTE 7 - PENSION PLANS (Continued)**

*Actuarial assumptions:* The total pension 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:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.05%, Average
Investment Rate of Return	6.25% Net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (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 one 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.

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

**NOTE 7 - PENSION PLANS (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:		
US Large Cap	5.00 %	4.50 %
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
Non-US Equity:		
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Credit Fixed:		
Global IG Credit	2.00	3.75
High Yield	7.00	5.50
EMD	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	2.00	1.50
Total	100.00 %	

*Discount rate:* The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that the participating employers in the system contributes the actuarially determined contribution rate in all future years.

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

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous	\$ 3,843,192	\$ 3,052,827	\$ 2,390,638

**NOTE 7 - PENSION PLANS (Continued)**

*Changes of assumptions:* There have been no changes in actuarial assumptions since June 30, 2017.

*Payables to the pension plan:* At June 30, 2019, the District did not have any required contributions payable to the pension plan for the year ended June 30, 2019.

*Pension plan fiduciary net position:* Detailed information about the pension 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](http://www.kyret.ky.gov).

**NOTE 8 - OPEB PLAN**

**General Information about the CERS 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.

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 judgment, the welfare of the Commonwealth so demands.

**NOTE 8 - OPEB PLAN (Continued)**

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%
Less Than 4 Years	0.00%

During the 2018 legislative session, House Bill 185 was enacted, which provided increased pension benefits for the beneficiaries of active members who die in the line of duty.

*Contributions:* The employee contribution rate is set by state statute. For the year ended June 30, 2019, non-hazardous employees contribute 5.00% of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

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, 2019, participating employers contributed 21.48% (16.22% pension fund and 5.26% insurance fund), 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. Contributions to the insurance fund from the District was \$67,821 for the year ended June 30, 2019.

**NOTE 8 - OPEB PLAN (Continued)****General Information about the TRS 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 or 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>.

**Medical Insurance Plan**

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

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

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

*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.

**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.

**NOTE 8 - OPEB PLAN (Continued)**

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

CERS: At June 30, 2019, the District reported a liability of \$889,942 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2019, the District's proportion for the non-hazardous system was 0.050124%, which was an increase of 0.003625% from its proportion measured as of June 30, 2018.

TRS: At June 30, 2019, the District reported a liability of \$3,615,962 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. At June 30, 2019, the District's proportion was 0.104215%, which was a decrease of 0.000817% from its proportion measured as of June 30, 2018.

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:

	CERS	TRS MIF	TRS LIF	Total
District's Proportionate Share of the Net OPEB Liability	\$ 889,942	\$ 3,615,962	\$ -	\$ 4,505,904
State's Proportionate Share of the Net OPEB Liability Associated with the District	-	3,116,220	53,453	3,169,673
Total	\$ 889,942	\$ 6,732,182	\$ 53,453	\$ 7,675,577

**NOTE 8 - OPEB PLAN (Continued)**

For the year ended June 30, 2019, the District recognized OPEB expense of \$360,459 and revenue of \$161,839 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>CERS</u> Deferred Outflows of Resources	<u>TRS</u> Deferred Outflows of Resources	<u>Total</u> Deferred Outflows of Resources	<u>CERS</u> Deferred Inflows of Resources	<u>TRS</u> Deferred Inflows of Resources	<u>Total</u> Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ -	\$ -	\$ 103,711	\$ 185,212	\$ 288,923
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	-	-	61,300	14,720	76,020
Changes of Assumptions	177,736	49,710	227,446	2,056	-	2,056
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	47,580	-	47,580	1,757	25,000	26,757
Commission Contributions Sub- sequent to the Measurement Date	<u>67,820</u>	<u>192,539</u>	<u>260,359</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 293,136</u>	<u>\$ 242,249</u>	<u>\$ 535,385</u>	<u>\$ 168,824</u>	<u>\$ 224,932</u>	<u>\$ 393,756</u>

\$260,359 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending</u> <u>June 30,</u>	
2020	\$ (23,266)
2021	(23,266)
2022	(23,266)
2023	(5,360)
2024	(29,187)
Thereafter	<u>(14,385)</u>
Total	<u>\$ (118,730)</u>

**NOTE 8 - OPEB PLAN (Continued)**

*CERS Actuarial assumptions:* The total 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:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	27 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increase	4.00%, Average
Investment Rate of Return	7.50%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

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 one 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.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real 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 8 - OPEB PLAN (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:		
US Large Cap	5.00 %	4.50 %
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
Non-US Equity:		
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Credit Fixed:		
Global IG Credit	2.00	3.75
High Yield	7.00	5.50
EMD	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	2.00	1.50
<b>Total</b>	<b>100.00 %</b>	

*TRS Actuarial assumptions:* The total 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:

Valuation Date	June 30, 2017 MIF and June 30, 2017 LIF
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	23 years, Closed MIF and 30 Years, Open LIF
Asset Valuation Method	Five-year smoothed value
Inflation	3.00% MIF and 3.50% LIF
Real Wage Growth	0.50%
Wage Inflation	3.50% MIF and 4.00% LIF
Salary Increase	3.50% – 7.20%, including inflation MIF 4.00% - 8.10%, including inflation LIF
Investment Rate of Return	8.00% MIF and 7.50% LIF, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	3.89%
MIF Healthcare Cost Trend Rates (Pre-65)	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
MIF Healthcare Cost Trend Rates (Post-65)	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
MIF Healthcare Cost Trend Rates (Medicare Part B Premiums)	0.00% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2030

**NOTE 8 - OPEB PLAN (Continued)**

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Nominal Return
Global Equity	58.00 %	4.60 %
Fixed Income	9.00	1.20
Real Estate	5.50	3.80
Private Equity	6.50	6.30
Additional Categories	20.00	3.30
Cash	1.00	0.90
<b>Total</b>	<b><u>100.00 %</u></b>	

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

Asset Class	Target Allocation	Long-Term Expected Nominal Return
US Equity	40.00 %	4.20 %
International Equity	23.00	5.20
Fixed Income	18.00	1.20
Real Estate	6.00	3.80
Private Equity	5.00	6.30
Additional Categories	6.00	3.30
Cash	2.00	0.90
<b>Total</b>	<b><u>100.00 %</u></b>	

**NOTE 8 - OPEB PLAN (Continued)**

*CERS Discount rate:* The discount rate used to measure the total OPEB liability was 5.85% for non-hazardous and 5.97% 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 3.62%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

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

*Sensitivity of the District’s proportionate share of the 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 (4.85% for CERS, 7.00% MIF TRS, and 6.50% LIF TRS) or 1-percentage-point higher (6.85% for CERS, 9.00% MIF TRS, and 8.50% LIF TRS) than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
CERS	\$ 1,155,892	\$ 889,942	\$ 663,401
MIF TRS	\$ 4,239,632	\$ 3,615,962	\$ 3,095,481

*Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the current healthcare cost trend 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 current healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Cost</u> <u>Trend Rate</u>	<u>1%</u> <u>Increase</u>
CERS	\$ 662,570	\$ 889,942	\$ 1,157,947
MIF TRS	\$ 2,997,952	\$ 3,615,962	\$ 4,377,270

**NOTE 8 - OPEB PLAN (Continued)**

*Changes of assumptions:* There have been no changes in actuarial assumptions since June 30, 2017.

*Other postemployment benefits 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](http://www.kyret.ky.gov) and separately issued TRS Financial Report.

**NOTE 9 - CONTINGENCIES**

The District receives funding from federal, state and local government agencies as well as private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantors' review indicates that the funds have not 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 the programs.

**NOTE 10 - INSURANCE AND RELATED ACTIVITIES**

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

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Districts Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Districts Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs, and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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

**NOTE 12 - TRANSFER OF FUNDS**

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS	\$ 27,216
General	Special Revenue	Local Grant for Technology	\$ 50,000
General	Special Revenue	Local Grant for Facilities	\$ 300,000
General	Construction	Local Grant for Construction	\$ 123,986
General	Food Service	Local Grant for Cafeteria	\$ 100,000
Capital Outlay	General	Capital Funds Request	\$ 185,119
Building	Debt Service	Debt Service	\$ 1,068,915

**NOTE 13 - ON-BEHALF PAYMENTS**

As amounts are paid by various state agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with state revenue and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2019 is as follows:

	<u>2019</u>
Payments Made by the State for Fringe Benefits of District Employees and Technology Expenses - Included in the Following Expense Classifications:	
Instruction	\$ 2,641,989
Supporting Services	
Student	173,940
Instructional Staff	82,465
District Administration	68,943
School Administration	156,876
Business Support Services	119,061
Plant Operation and Maintenance	97,914
Student Transportation	4,133
Food Service Operations	<u>33,071</u>
	<u>\$ 3,378,392</u>
Payments Made by the KSFCC for its Participation in the District's Bonds Included in Debt Service Expenditures	<u>\$ 517,123</u>

**NOTE 17 - SUBSEQUENT EVENTS**

GASB Statement No. 84, Fiduciary Activities was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 are effective for fiscal year 2020. As result, School Activity Funds will be presented as a special revenue governmental fund on the Balance Sheet – Governmental Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds, rather than as a Fiduciary Fund reported separately in the Statement of Fiduciary Net Position.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 5,335,000	\$ 5,501,500	\$ 5,585,302	\$ 83,802
Tuition	430,000	426,200	455,308	29,108
Earnings on Investments	14,000	40,000	81,882	41,882
State Sources	6,459,500	7,423,031	7,440,786	17,755
Federal Sources	8,000	6,600	14,079	7,479
Other Sources	200,749	89,000	135,009	46,009
	<u>12,447,249</u>	<u>13,486,331</u>	<u>13,712,366</u>	<u>226,035</u>
<b>Expenditures</b>				
Instructional	7,514,431	8,586,132	8,868,830	(282,698)
Support Services				
Student	476,130	625,792	661,438	(35,646)
Instructional Staff	472,786	460,884	426,431	34,453
District Administration	575,956	661,765	580,078	81,687
School Administration	715,468	723,763	704,514	19,249
Business	656,921	680,404	535,495	144,909
Plant Operation and Maintenance	1,371,892	1,554,614	1,404,746	149,868
Student Transportation	62,921	125,515	117,931	7,584
Contingency	1,661,894	1,705,266	-	1,705,266
	<u>13,508,399</u>	<u>15,124,135</u>	<u>13,299,463</u>	<u>1,824,672</u>
(Deficit) Excess of Revenues Over Expenditures	<u>(1,061,150)</u>	<u>(1,637,804)</u>	<u>412,903</u>	<u>2,050,707</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	-	-	185,119	185,119
Operating Transfers Out	(1,245,850)	(100,000)	(601,202)	(501,202)
	<u>(1,245,850)</u>	<u>(100,000)</u>	<u>(416,083)</u>	<u>(316,083)</u>
Total Other Financing Uses	<u>(1,245,850)</u>	<u>(100,000)</u>	<u>(416,083)</u>	<u>(316,083)</u>
Net Change in Fund Balance	(2,307,000)	(1,737,804)	(3,180)	1,734,624
<b>Fund Balance July 1, 2018</b>	<u>1,796,122</u>	<u>1,796,122</u>	<u>1,796,122</u>	<u>-</u>
<b>Fund Balance June 30, 2019</b>	<u>\$ (510,878)</u>	<u>\$ 58,318</u>	<u>\$ 1,792,942</u>	<u>\$ 1,734,624</u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Earnings on Investments	\$ -	\$ -	\$ 53,850	\$ 53,850
State Sources	464,360	199,000	517,123	318,123
Federal Sources	375,732	352,000	352,437	437
	<u>840,092</u>	<u>551,000</u>	<u>923,410</u>	<u>372,410</u>
<b>Expenditures</b>				
Debt Service				
Principal	1,071,810	765,958	790,000	(24,042)
Interest	785,191	852,692	829,035	23,657
	<u>1,857,001</u>	<u>1,618,650</u>	<u>1,619,035</u>	<u>(385)</u>
Deficit of Revenues Over Expenditures	(1,016,909)	(1,067,650)	(695,625)	372,025
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	1,016,909	1,067,650	1,068,915	1,265
Net Change in Fund Balance	-	-	373,290	373,290
<b>Fund Balance July 1, 2018</b>	<u>2,052,289</u>	<u>2,052,289</u>	<u>2,052,289</u>	<u>-</u>
<b>Fund Balance June 30, 2019</b>	<u>\$ 2,052,289</u>	<u>\$ 2,052,289</u>	<u>\$ 2,425,579</u>	<u>\$ 373,290</u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CONSTRUCTION FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Earnings on Investments	\$ -	\$ -	\$ 5,948	\$ 5,948
<b>Expenditures</b>				
Building Improvements	<u>300,000</u>	<u>-</u>	<u>905,018</u>	<u>(905,018)</u>
Deficit of Revenues Over Expenditures	(300,000)	-	(899,070)	(899,070)
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	<u>300,000</u>	<u>-</u>	<u>123,986</u>	<u>123,986</u>
Net Change in Fund Balance	-	-	(775,084)	(775,084)
<b>Fund Balance July 1, 2018</b>	<u>1,075,084</u>	<u>1,075,084</u>	<u>1,075,084</u>	<u>-</u>
<b>Fund Balance June 30, 2019</b>	<u>\$ 1,075,084</u>	<u>\$ 1,075,084</u>	<u>\$ 300,000</u>	<u>\$ (775,084)</u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Earnings on Investments	\$ (265)	\$ 499	\$ 990	\$ 491
Student Activities	102,743	205,865	60,284	(145,581)
State Sources	553,135	494,487	500,945	6,458
Federal Sources	420,596	436,153	479,069	42,916
Other Sources	292,049	462,310	99,180	(363,130)
<b>Total Revenues</b>	<u>1,368,258</u>	<u>1,599,314</u>	<u>1,140,468</u>	<u>(458,846)</u>
<b>Expenditures</b>				
Instructional	1,533,232	1,685,373	1,228,289	457,084
Support Services				
Student	330	-	493	(493)
Instructional Staff	10,139	-	-	-
District Admin	-	3,670	3,670	-
Building Improvements	262,075	291,575	-	291,575
<b>Total Expenditures</b>	<u>1,805,776</u>	<u>1,980,618</u>	<u>1,232,452</u>	<u>748,166</u>
Deficit of Revenues Over Expenditures	(437,518)	(381,304)	(91,984)	289,320
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	437,518	381,304	377,216	(4,088)
Net Change in Fund Balance	-	-	285,232	285,232
<b>Fund Balance July 1, 2018</b>	<u>440,833</u>	<u>440,833</u>	<u>440,833</u>	<u>-</u>
<b>Fund Balance June 30, 2019</b>	<u>\$ 440,833</u>	<u>\$ 440,833</u>	<u>\$ 726,065</u>	<u>\$ 285,232</u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
JUNE 30, 2019**

**County Employees Retirement System  
Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.050126%	0.046501%	0.043496%	0.041726%	0.040979%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,052,827	\$ 2,721,846	\$ 2,141,584	\$ 1,794,192	\$ 1,330,000
District's Covered Payroll	\$ 1,242,280	\$ 1,134,406	\$ 1,037,534	\$ 925,405	\$ 939,653
District's Proportionate Share of the Net Pension Liability (Assets) as a Percentage of Its Covered Payroll	245.74%	239.94%	206.41%	193.88%	141.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	53.54%	53.32%	55.50%	59.97%	66.80%

\* Only five years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS  
JUNE 30, 2019**

**County Employees Retirement System  
Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 209,136	\$ 181,410	\$ 157,976	\$ 129,141	\$ 124,581
Contributions in Relation to the Contractually Required Contribution	<u>(209,136)</u>	<u>(181,410)</u>	<u>(157,976)</u>	<u>(129,141)</u>	<u>(124,581)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
District's Covered Payroll	\$ 1,282,872	\$ 1,242,280	\$ 1,134,406	\$ 1,037,534	\$ 925,405
Contributions as a Percentage of Covered Payroll	16.30%	14.60%	13.93%	12.45%	13.46%

\* Only five years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
JUNE 30, 2019**

**County Employees Retirement System  
Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>
District's Proportion of the Net OPEB Liability (Asset)	0.050124%	0.046501%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 889,942	\$ 934,829
District's Covered Payroll	\$ 1,242,280	\$ 1,134,406
District's Proportionate Share of the Net OPEB Liability (Assets) as a Percentage of Its Covered Payroll	71.64%	82.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-Hazardous	57.62%	52.39%

**Kentucky Teachers Retirement System  
Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>
District's Proportion of the Net OPEB Liability (Asset)	0.104215%	0.105032%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 3,615,962	\$ 3,745,212
District's Covered Payroll	\$ 6,457,537	\$ 6,256,171
District's Proportionate Share of the Net OPEB Liability (Assets) as a Percentage of Its Covered Payroll	56.00%	59.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-Hazardous	59.28%	39.83%

\* Only two years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
JUNE 30, 2019**

**County Employees Retirement System  
Last 10 Fiscal Years\***

	<b>2019</b>	<b>2018</b>
Contractually Required Contribution	\$ 67,820	\$ 58,883
Contributions in Relation to the Contractually Required Contribution	(67,820)	(58,883)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 1,282,872	\$ 1,242,280
Contributions as a Percentage of Covered Payroll	5.29%	4.74%

**Kentucky Teachers Retirement System  
Last 10 Fiscal Years\***

	<b>2019</b>	<b>2018</b>
Contractually Required Contribution	\$ 192,539	\$ 229,054
Contributions in Relation to the Contractually Required Contribution	(192,539)	(229,054)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 6,658,011	\$ 6,457,537
Contributions as a Percentage of Covered Payroll	2.89%	3.55%

\* Only two years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

**OTHER SUPPLEMENTARY INFORMATION**

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 75,713	\$ 33,567	\$ 109,280
<b>Fund Balances</b>			
Restricted			
Special Revenue Fund	\$ 75,713	\$ -	\$ 75,713
Building Fund	<u>          -</u>	<u>33,567</u>	<u>33,567</u>
Total Fund Balances	<u>75,713</u>	<u>33,567</u>	<u>109,280</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 75,713</u>	<u>\$ 33,567</u>	<u>\$ 109,280</u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2019**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ -	\$ 694,732	\$ 694,732
State Sources	<u>129,651</u>	<u>386,558</u>	<u>516,209</u>
Total Revenues	129,651	1,081,290	1,210,941
<b>Other Financing Sources (Uses)</b>			
Operating Transfers Out	<u>(185,119)</u>	<u>(1,068,915)</u>	<u>(1,254,034)</u>
Net Change in Fund Balance	(55,468)	12,375	(43,093)
<b>Fund Balance July 1, 2018</b>	<u>131,181</u>	<u>21,192</u>	<u>152,373</u>
<b>Fund Balance June 30, 2019</b>	<u>\$ 75,713</u>	<u>\$ 33,567</u>	<u>\$ 109,280</u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
BEECHWOOD INDEPENDENT BOARD OF EDUCATION  
ELEMENTARY SCHOOL ACTIVITY FUND  
YEAR ENDED JUNE 30, 2019**

<u>Fund Accounts</u>	<u>Cash Balances July 1, 2018</u>	<u>Receipts</u>	<u>Disburs- ments</u>	<u>Cash Balances June 30, 2019</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Fund Balances June 30, 2019</u>
General/Suspense	\$ 47	\$ 795	\$ 503	\$ 339	\$ -	\$ -	\$ 339
Student Recognition	326	308	138	496	-	-	496
Student Support	91	472	355	208	-	-	208
Instructional Field Trips	6,343	17,018	18,257	5,104	-	-	5,104
DC Trip	1,527	11,857	12,059	1,325	-	-	1,325
Tutoring	-	2,720	2,720	-	-	-	-
Girls on the Run	204	-	-	204	-	-	204
OM	1,323	13,999	15,125	197	-	-	197
Science Club	68	115	118	65	-	-	65
Tiger Who Care	399	86	434	51	-	-	51
Athletics General	7,029	17,414	16,288	8,155	-	2,123	6,032
Band	5	-	5	-	-	-	-
Student Fees	200	24,472	24,672	-	-	-	-
Technology	-	75	75	-	-	-	-
Fundraiser	-	18,218	18,218	-	-	-	-
Transportation Fees	-	5,473	5,473	-	-	-	-
<b>Total Beechwood Elementary School</b>	<u>\$ 17,562</u>	<u>\$ 113,022</u>	<u>\$ 114,440</u>	<u>\$ 16,144</u>	<u>\$ -</u>	<u>\$ 2,123</u>	<u>\$ 14,021</u>

See accompanying notes.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
BEECHWOOD INDEPENDENT BOARD OF EDUCATION  
HIGH SCHOOL ACTIVITY FUND  
YEAR ENDED JUNE 30, 2019**

<u>Fund Accounts</u>	<u>Cash Balances July 1, 2018</u>	<u>Receipts</u>	<u>Disburs- ments</u>	<u>Cash Balances June 30, 2019</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Fund Balances June 30, 2019</u>
General/Suspense	\$ 1,729	\$ 2,997	\$ 3,903	\$ 823	\$ -	\$ -	\$ 823
Student Support	784	4,039	3,834	989	-	-	989
Instructional Field Trips	6,326	10,873	11,523	5,676	-	1,380	4,296
Academic Team	11	-	-	11	-	-	11
Art Club	366	2,411	2,754	23	-	-	23
Chess Club	23	10	23	10	-	-	10
College Boot Camp	2,600	7,550	6,826	3,324	-	-	3,324
PSAT Prep	1,000	125	1,125	-	-	-	-
Tutoring	30	-	30	-	-	-	-
FBLA	1,485	2,500	1,894	2,091	-	-	2,091
FCCLA	348	-	-	348	-	-	348
FEA	292	-	30	262	-	-	262
Fellow Christian Association	22	-	-	22	-	-	22
French Club	6	180	30	156	-	-	156
GSA	194	136	100	230	-	-	230
Homecoming	1,629	2,137	2,028	1,738	-	-	1,738
Winter Formal	1,791	7,580	6,996	2,375	-	-	2,375
Prom	632	8,357	8,989	-	-	-	-
Kuna	2,365	22,581	22,314	2,632	-	-	2,632
Latin Club	320	-	-	320	-	-	320
Little Sibs	415	4,249	4,535	129	-	-	129
Math Club (Mu Alpha Theta)	-	375	375	-	-	-	-
National Honor Society	2,597	20,108	17,681	5,024	-	-	5,024
National Junior Honor Soc	274	2,699	556	2,417	-	-	2,417
Spanish Club	174	-	-	174	-	-	174
Forensics	1,786	12,767	9,954	4,599	-	78	4,521
STLP	480	500	299	681	-	-	681
Student Council	2,140	810	2,357	593	-	-	593
Theatre	4,345	24,353	24,789	3,909	-	-	3,909
Tigers Who Care	100	-	-	100	-	-	100
Yearbook	25,406	11,988	14,727	22,667	-	-	22,667
Veteran's Day	219	-	50	169	-	-	169
McNabb Scholarship	880	-	400	480	-	-	480
Athletics General	13,873	137,402	129,386	21,889	-	14,121	7,768
Start Up Funding	-	4,025	4,025	-	-	-	-
Cheerleading	1,656	33,601	26,623	8,634	-	500	8,134
Boys Basketball	5,332	16,087	17,226	4,193	-	1,500	2,693
Girls Basketball	2,039	13,422	12,936	2,525	-	386	2,139
Baseball	1,707	30,561	26,272	5,996	-	1,406	4,590
Softball	14	41	42	13	-	-	13
Football	14	8,498	7,589	923	-	50	873
Boys Golf	828	4,642	4,669	801	-	-	801
Girls Golf	1,237	1,718	2,843	112	-	-	112
All "A" Golf	33	-	33	-	-	-	-

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
BEECHWOOD INDEPENDENT BOARD OF EDUCATION  
HIGH SCHOOL ACTIVITY FUND  
YEAR ENDED JUNE 30, 2019  
(Continued)**

<u>Fund Accounts</u>	<u>Cash Balances July 1, 2018</u>	<u>Receipts</u>	<u>Disburs- ments</u>	<u>Cash Balances June 30, 2019</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Fund Balances June 30, 2019</u>
Boys Soccer	\$ 3,906	\$ 8,512	\$ 9,846	\$ 2,572	\$ -	\$ -	\$ 2,572
Girls Soccer	3,692	1,683	3,142	2,233	-	-	2,233
Boys Tennis	22	1,100	955	167	-	-	167
Girls Tennis	73	1,769	1,725	117	-	-	117
Track	2,086	2,494	3,805	775	-	168	607
Archery	4,577	2,800	5,619	1,758	-	-	1,758
Bowling	459	-	275	184	-	-	184
Swim Team	989	1,365	1,270	1,084	-	-	1,084
Volleyball	5,430	7,975	9,072	4,333	-	-	4,333
Cross Country	2	1,896	1,783	115	-	-	115
Class of 2019	5,203	4,578	9,781	-	-	-	-
Class of 2020	-	3,945	-	3,945	-	-	3,945
Band	4,571	124,216	128,787	-	2,000	-	2,000
Band Fees - Prepaid	2,150	-	2,150	-	-	-	-
Choir	2,156	6,738	5,667	3,227	-	-	3,227
Student Fees	408	30,938	31,346	-	-	-	-
Technology	60	8,891	8,951	-	-	-	-
Transportation Fees	-	4,353	4,353	-	-	-	-
Parking Passes	-	1,680	1,680	-	-	-	-
<b>Total Beechwood High School</b>	<u>\$ 123,286</u>	<u>\$ 614,255</u>	<u>\$ 609,973</u>	<u>\$ 127,568</u>	<u>\$ 2,000</u>	<u>\$ 19,589</u>	<u>\$ 109,979</u>

**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 and  
Members of the Board of Education  
Beechwood Independent School District  
Fort Mitchell, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract – Auditor Responsibilities, State Compliance Requirements, Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II – Submission Instructions, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Beechwood Independent School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Beechwood Independent School District's basic financial statements, and have issued our report thereon dated November 1, 2019.

**Internal Control over Financial Reporting**

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

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

We did however note certain matters that we reported to management beginning on page 63.

### **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.

*VonLehman & Company Inc.*

Fort Wright, Kentucky  
November 1, 2019

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2018**

**PRIOR YEAR - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Beechwood Independent School District  
Fort Mitchell, Kentucky

In planning and performing our audit of the financial statements of the Beechwood Independent School District (the District) for the year ended June 30, 2019, we considered the District's internal controls in order to determine the audit procedures that are appropriate for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls.

During the course of our audit we also selected school activity funds for our auditing tests. Through these procedures we became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters as well as additional matters that we wanted to bring to the District's attention. We previously reported on the District's internal controls in our report dated November 1, 2019. This letter does not affect our report dated November 1, 2019 on the financial statements of the Beechwood Independent School District.

Our findings are presented below:

**ITEM 2019-001 – ACTIVITY FUNDS**

**General Findings for All Schools**

- There were 4 instances out of 10 cash receipts tested where the Multiple Receipt Form was not signed by the student. We recommend that the accounting department review the Multiple Receipt Form for student signature before processing all deposits. Additionally, we recommend the District provide Redbook training to ensure all employees are aware of the proper procedures.

*District Response: The principal of each school has re-emphasized the correct procedures for collecting funds from students. Teachers also received training on Redbook at the start of the year. Any exceptions to students signing the Multiple Receipt form will be addressed by the principals on an individual basis.*

- During the testing of cash receipts, it was noted that the District utilizes an on-campus lockbox to submit funds and Multiple Receipt Forms. When the lockbox is opened, two employees count the funds to reduce the potential for misappropriation. However, only one employee signs the multiple receipts form. We recommend that both employees sign the multiple receipt form to document that the control occurred.

*District Response: The lockbox is opened by two of a possible four employees. All four employees have been re-trained on the proper procedures for opening the lockbox including both employees signing the Multiple Receipt Form.*

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)**

**ITEM 2019-002 – ACTIVITY FUNDS**

**Beechwood High School**

- There was 1 instance out of 10 cash disbursements tested where the invoice was received before the sponsor obtained approval via a purchase order. We recommend sponsors prepare and obtain approval all purchase orders before the purchase can be initiated.

*District Response: The principal of each school has re-emphasized the correct procedures for purchasing with all employees. In addition, all employees received Redbook training at the start of the school year. Any exceptions to proper purchasing procedures will be address on an individual basis.*

- During testing of activity fund cash disbursements, it was noted on 1 out of 10 cash disbursements, a portion of the invoice was missing. We recommend the entire original invoice be maintained for all cash disbursements.

*District Response: The bookkeeper did not realize that the invoice was two-sided and, as such, did not copy the back side. After discussions with the bookkeeper, she will be more aware and make sure that the entire invoice is copied.*

- During testing of activity fund cash disbursements, it was noted 1 out of 10 cash disbursements where the purchase order was obtained for only one payment of the entire purchase. We recommend the purchase order be prepared and approved for the entire purchase before the purchase can be initiated.

*District Response: The principal has discussed proper purchase order procedures with the individual who requested only the first payment in lieu of the entire amount. In addition, the bookkeeper is aware and will counsel staff on proper procedures.*

- There was 1 instance out of 31 transfers tested where the sponsor did not sign the transfer form. We recommend the sponsor of the remitting (paying) activity account and the principal both sign the transfer form indicating their review and approval.

*District Response: The bookkeeper and all principals have attended Redbook training and will review transfers for proper signatures prior to the transfer.*

**ITEM 2019-003 – PROCUREMENT**

- During our testing of cash disbursements, it was noted that 11 out of 40 cash disbursements did not have proper support for the method of procurement selected. We recommend all procurement documentation be adequately maintained, including but not limited, documentation of procurement method selected as well as support for decision of vendor.

*District Response: Principals and department heads have been reminded of the need to adhere to small purchase procedures. In addition, the Finance Department has started to return any purchase requests to the requestor if proper small purchase procedures are not followed.*

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)**

**ITEM 2019-004 – PURCHASE ORDERS**

- During our testing of cash disbursements, it was noted 9 out of 40 cash disbursements where the purchase order was obtained after the purchase was initiated. We recommend purchase orders be prepared and approved before all purchases can be initiated.

*District Response: Principals and department heads have been reminded of the purchasing procedures. Going forward, individuals who fail to follow proper purchasing procedures, will be counseled on an individual basis.*

**ITEM 2019-005 – MAILING OF CASH DISBURSEMENTS**

- Under current procedures, it was noted that signed checks are returned to the accounts payable processor for mailing. Controls over disbursements would be improved if all disbursement checks were transmitted to someone for mailing without access to process checks and the accounts payable function after they are signed.

*District Response: The limited number of personnel who work in the Finance Department make this suggestion difficult. However, Beechwood is reviewing all positions within the District and may re-align some tasks. The mailing of checks will be considered when positions are re-aligned.*

**ITEM 2019-006 – REVIEW OF VENDOR LISTS**

- Under current procedures, it was noted the top 20 vendors are reviewed quarterly by the maintenance director. However, there is no documentation of his review. We recommend the maintenance director sign off and date the vendor listings documenting his review.

*District Response: The Operations Director will review and document his review of the top 20 vendors.*

**ITEM 2019-007 – REVIEW OF BANK STATEMENTS AND BANK RECONCILIATIONS**

- It was noted during our audit that the curriculum director approves the bank statement with a signature after the Finance Director completes the reconciliation. We recommend that the curriculum director receive the bank statements directly and review them for any unusual checks or other transactions before submitting to accounting for reconciliation. This review should be documented by the curriculum director's signature and date of review and will ensure that unusual items are investigated on a timely basis.

Additionally, bank reconciliations should be reviewed by a knowledgeable board member for accuracy and completeness on a timely basis. This review should include ensuring the reconciliations are mathematically accurate and trace items on the reconciliation to relevant source documents including the previously reviewed bank statement. This review should also be documented by the board member's signature and date of review.

*District Response: The Board Member who is designated as the Financial Reviewer will review the Bank Reconciliation and supporting documents, including the bank statements, after the monthly Board meeting. The reviewer will sign the bank reconciliation file indicating their review.*

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**STATUS OF PRIOR RECOMMENDATIONS**

The following section is presented for the purposes of providing an update on the status of the previous auditor's management letter points presented as of and for the year ended June 30, 2018. The recommendations and current status of those recommendations are as follows:

**ITEM 2018-001 – ACTIVITY FUNDS**

**General Findings for All Schools**

- During testing of activity fund cash disbursements there were 4 instances out of 10 selections noted where the invoice was not marked "Paid". We recommend each invoice be marked "Paid" once they are paid to reduce the possibility of duplicate payments.

Current Status: No instances were identified during testing in the current year. Not considered necessary to repeat finding in the current year.

- There were 3 instances out of 15 transfers tested where the sponsor did not sign the transfer form. We recommend the sponsor of the remitting (paying) activity account and the principal both sign the transfer form indicating their review and approval.

Current Status: This is a repeat finding in the current year.

**ITEM 2018-002 – ACTIVITY FUNDS**

**Beechwood High School**

- As a result of open payables at June 30, 2018, the Cheerleading activity fund went negative. We recommend all activity funds be monitored to ensure there are no negative fund balances.

Current Status: No negative fund balances were noted in the current year. Not considered necessary to repeat finding in the current year.

**ITEM 2018-003 – PROCUREMENT**

- During our testing of cash disbursements, it was noted that 4 out of 25 cash disbursements did not have proper support for the method of procurement selected. We recommend all procurement documentation be adequately maintained, including but not limited, documentation of procurement method selected as well as support for decision of vendor.

Current Status: This is a repeat finding in the current year.