

BOYLE COUNTY BOARD OF EDUCATION
FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
And
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Boyle County Board of Education
Danville, 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 Boyle County Board of Education as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board 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.

Emphasis of Matter

As described in Note Q to the financial statements, the District adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including direct Borrowings and Direct Placements*, effective July 1, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 11, budgetary comparison information on pages 57 and 58, and the Schedules of Proportionate Share of the Net Position Liability, and Schedule of Contributions on pages 59 and 60 the Schedule of Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions on pages 61 and 62 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 Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 13, 2019

**BOYLE COUNTY BOARD OF EDUCATION
DANVILLE, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

As management of the Boyle County School District (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 beginning cash balance, including activity funds, for the District was \$41,584,138. The ending cash balance, including activity funds, for the District was \$31,505,619.

The General Fund had \$26,726,135 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$26,102,095 in General Fund expenditures. This includes on-behalf payments of \$7,300,427.

The 2018-2019 academic school year produced four 4 star schools under the new accountability system and one 5 star school. Perryville Elementary School, Woodlawn Elementary School Boyle County Middle School and Boyle County High School achieved 4 star status, while Junction City Elementary School achieved 5 star status.

Perryville Elementary School became a blue ribbon school in 2018-2019. Perryville was one of 362 schools recognized for this honor nationwide in 2019. The honor is based upon two performance measures. The school must be an exemplary high performing school (among state's highest performing schools) or exemplary achievement gap closing schools (among states highest performing schools in closing achievement gaps).

Boyle County Schools is dedicated to sustaining a robust 1 to 1 technology initiative. This initiative resulted in section 7 technology funding in the amount of \$105,410.00 in 2018-2019.

Boyle County Schools offered the Black and Gold Academy for the 8th consecutive year. The camp enrolls over 700 students and is free of charge.

The new Boyle county Middle School is under construction and projected to be open at the end of the 2019-2020 school year.

The current Boyle County Middle school has an approved BG-1 to begin renovation. The facility will be the future home of Woodlawn Elementary School. The facility is projected to open during the 2020-2021 school year.

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) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The district-wide financial statements can be found on pages 12 and 13 of this report.

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

The basic governmental fund financial statements can be found on pages 14-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-55 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,298,320 as of June 30, 2019.

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

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

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Assets	\$66,405	\$65,594	\$563	\$594	\$66,968	\$66,188
Deferred Outflows of Resources	\$3,176	\$2,819	\$372	\$357	\$3,548	\$3,176
Liabilities	\$67,467	\$64,879	\$1,212	\$1,373	\$68,679	\$66,252
Deferred Inflows of Resources	\$811	\$1,236	\$112	\$143	\$923	\$1,379
Investment in capital assets (net of debt)	(\$25,032)	(\$14,628)	\$115	\$150	(\$24,917)	-\$14,478
Restricted	32,928	23,300	(504)	(715)	32,424	22,585
Unrestricted	<u>(6,593)</u>	<u>(6,374)</u>			<u>(6,593)</u>	<u>-6,374</u>
Total Net Position	\$1,303	\$2,298	(\$389)	(\$565)	\$914	\$1,733

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$5,144,819 in contingency, which is 24.46 percent.

Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

Changes in Net Position (in thousands)

	Governmental		Business-type		Total	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Revenues						
Local Revenue Sources	\$9,902	\$9,815	\$483	\$421	\$10,385	\$10,236
State Revenue Sources	20,327	22,005	217	224	20,544	22,229
Federal Revenue Sources	1,388	1,487	968	1,072	2,356	2,559
Investments	<u>161</u>	<u>284</u>	<u>2</u>	<u>2</u>	<u>163</u>	<u>286</u>
Total Revenues	31,778	33,591	1,670	1,719	33,448	35,310
Expenses	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Instruction	19,150	20,773	0	0	19,150	20,773
Student Support Services	1,648	1,692	0	0	1,648	1,692
Instructional Support	1,330	1,127	0	0	1,330	1,127
District Administration	1,005	1,259	0	0	1,005	1,259
School Administration	1,288	1,264	0	0	1,288	1,264
Business Support	979	1,059	0	0	979	1,059
Plant Operations	1,692	1,868	0	0	1,692	1,868
Student Transportation	1,509	1,749	0	0	1,509	1,749
Other Instruction	8	5	0	0	8	5
Day care operations	28	27	0	0	28	27
Community Support	1,143	229	0	23	1,143	252
Food Service	0	0	1,599	1,862	1,599	1,862
Debt Service	<u>1,171</u>	<u>1,556</u>	<u>0</u>	<u>0</u>	<u>1,171</u>	<u>1,556</u>
Total Expenses	30,951	32,608	1,599	1,885	32,550	34,493
Sale of Assets	25	0	0	0	25	0
Transfer	0	12		(12)		0
Change in Net Position	852	995	71	(178)	923	817
Beginning Net Position	9,787	1,303	(216)	(388)	9,571	915
Prior Period Adjustment	<u>(9,336)</u>	<u>0</u>	<u>(243)</u>	<u>0</u>	<u>(9,579)</u>	<u>0</u>
Ending Net Position	\$1,303	\$2,298	(\$388)	(\$566)	\$915	\$1,732

The government's overall financial position and results of operations increased as a result of the year's operations as reflected in the increase in net position for the year.

INFRASTRUCTURE

The District has not reported any infrastructure in the current financial statements.

Analysis of balances and transactions of individual funds (in thousands)

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$8,914	\$26,726	\$26,102	(\$920)	\$8,618
Special Revenue	\$223	\$2,796	\$2,864	\$25	\$180
Capital Outlay	\$0	\$239	\$0	(\$239)	\$0
Building	\$93	\$1,993	\$0	(\$2,086)	\$0
Construction	\$30,632	\$195	\$10,274	\$870	\$21,423
Debt Service	\$652	\$1,642	\$3,594	\$2,362	\$1,062

Capital Assets and Long-Term Debt Activity (in thousands)

	Beginning	Additions	Deductions	Ending
Governmental				
Capital Assets	\$50,367	\$11,334	\$3	\$61,698
Accumulated Depreciation	\$25,446	\$2,418	\$3	\$27,861
Business-Type				
Capital Assets	\$857	\$51	\$0	\$908
Accumulated Depreciation	\$742	\$16	\$0	\$758
Bonds Payable	\$49,953	\$32,555	\$1,190	\$81,318
Sick Leave Payable	\$373	\$274	\$113	\$534
Judgments Payable	\$68	\$0	\$34	\$34

CURRENT ISSUES

The District is concerned about the future of pensions for employees.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information should be directed to the Superintendent, Mike LaFavers, or to the Finance Officer, David Morris , or by mail at 352 North Danville By-Pass, Danville, Kentucky 40422.

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents - Note C	\$30,965,690	\$274,698	\$31,240,388
Accounts receivable	791,987	117,157	909,144
Inventory		51,985	51,985
Land and construction in progress	14,645,761		14,645,761
Other capital assets, net of depreciation	<u>19,190,931</u>	<u>149,775</u>	<u>19,340,706</u>
Total capital assets	<u>33,836,692</u>	<u>149,775</u>	<u>33,986,467</u>
TOTAL ASSETS	\$65,594,369	\$593,615	\$66,187,984
DEFERRED OUTFLOWS OF RESOURCES			
Advanced Bond Refundings	\$238,938	\$	\$238,938
Deferred outflows - pensions	1,564,775	269,126	1,833,901
Deferred outflows - OPEB	<u>1,015,711</u>	<u>88,071</u>	<u>1,103,782</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$2,819,424	\$357,197	\$3,176,621
LIABILITIES			
Accounts payable	87,502	1,036	88,538
Accrued salaries & benefit payable	2,668		2,668
Unearned revenue	372,257		372,257
Interest payable	541,369		541,369
Long-term Liabilities			
Due within 1 year	2,183,373		2,183,373
Due in more than 1 year	46,307,889		46,307,889
Pension Liability	5,984,287	1,062,683	7,046,970
OPEB Liability	<u>9,399,498</u>	<u>309,786</u>	<u>9,709,284</u>
TOTAL LIABILITIES	\$64,878,843	\$1,373,505	\$66,252,348
DEFERRED INFLOWS OF RESOURCES			
Pension	\$473,516	\$84,086	\$557,602
OPEB	<u>763,114</u>	<u>58,798</u>	<u>821,912</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	\$1,236,630	\$142,884	\$1,379,514
NET POSITION			
Net investment in capital assets	(\$14,627,678)	\$149,775	(\$14,477,903)
Restricted			
Food Service		442,804	442,804
Other	217,881	(1,158,156)	(940,275)
Future Construction	21,423,082		21,423,082
Debt Service	1,062,177		1,062,177
Site-Based Carryforward	62,623		62,623
Sick Leave Payable	534,153		534,153
Unrestricted	<u>(6,373,918)</u>		<u>(6,373,918)</u>
TOTAL NET POSITION	\$2,298,320	(\$565,577)	\$1,732,743

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE
For the year ended June 30, 2019

FUNCTIONS/PROGRAMS

Governmental Activities

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Net (Expense) Revenue and Changes in Net Position
Instruction	\$20,773,338	\$63,517	\$1,869,695	\$	(\$18,840,126)	\$	(\$18,840,126)
Support services:							
Student	1,692,451		122,965		(1,569,486)		(1,569,486)
Instruction staff	1,127,030		414,190		(712,840)		(712,840)
District administrative	1,258,756				(1,258,756)		(1,258,756)
School administrative	1,264,289				(1,264,289)		(1,264,289)
Business	1,058,948		33,585		(1,058,948)		(1,058,948)
Plant operation and maintenance	1,868,392		99,817		(1,834,807)		(1,834,807)
Student transportation	1,749,075				(1,649,258)		(1,649,258)
Other instruction	4,403				(4,403)		(4,403)
Day care operations	26,695		26,695		0	0	0
Community service activities	229,386		229,386		0	0	0
Interest on long-term debt	1,555,717	0	0	649,659	(906,058)		(906,058)
Total governmental activities	32,608,480	63,517	2,796,333	649,659	(29,098,971)		(29,098,971)

Business-type Activities

Food service	1,862,175	421,411	1,296,891			(143,873)	(143,873)
Adult education	22,700	0	0			(22,700)	(22,700)
Total business-type activities	1,884,875	421,411	1,296,891			(166,573)	(166,573)
Total school district	\$34,493,355	\$484,928	\$4,093,224	\$649,659	(\$29,098,971)	(\$166,573)	(\$29,265,544)

General Revenues

Property taxes	\$7,500,575						\$7,500,575
Motor Vehicle taxes	683,788						683,788
Utility taxes	1,174,549						1,174,549
State aid-formula grants	20,430,090						20,430,090
Investment earnings	283,813					2,169	285,982
Transfer	11,995					(11,995)	0
Other local sources	9,563						9,563
Total general & special	30,094,373					(9,826)	30,084,547
Change in net positions					995,402	(176,399)	819,003
Net position - beginning					1,302,918	(389,178)	913,740
Net position - ending					\$2,298,320	(\$565,577)	\$1,732,743

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2019

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$8,185,879	\$294,552	\$21,423,082	\$1,062,177	\$0	\$30,965,690
Interfund receivable	90,049					90,049
Other receivables	<u>468,141</u>	<u>270,887</u>		<u>52,959</u>		<u>791,987</u>
TOTAL ASSETS	\$8,744,069	\$565,439	\$21,423,082	\$1,115,136	\$0	\$31,847,726
LIABILITIES						
Accounts payable	\$74,845	\$12,657				\$87,502
Accrued salaries & benefit payable	2,668					2,668
Compensated absences current	11,442					11,442
Interfund payable				90,049		90,049
Unearned revenue		<u>372,257</u>				<u>372,257</u>
TOTAL LIABILITIES	88,955	384,914		90,049		563,918
FUND BALANCES						
Restricted						
Other		180,525				180,525
Future Construction BG - 1			21,423,082			21,423,082
Debt Service				1,025,087		1,025,087
Committed						
Site-Based carryforward	62,623					62,623
Sick leave payable	534,153					534,153
Other	37,356					37,356
Unassigned	<u>8,020,982</u>					<u>8,020,982</u>
TOTAL FUND BALANCES	8,655,114	180,525	21,423,082	1,025,087	0	31,283,808
TOTAL LIABILITIES AND FUND BALANCE	\$8,744,069	\$565,439	\$21,423,082	\$1,115,136	\$0	\$31,847,726

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 As of June 30, 2019

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

Total Fund Balance - Governmental Funds		\$31,283,808
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		33,836,692
Deferred outflow of resources		2,819,424
Deferred inflow of resources		(1,236,630)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(47,923,000)
	Pension Liability	(5,984,287)
	OPEB Liability	(9,399,498)
	KSBIT Payable	(34,109)
	Accrued Interest on Bonds	(541,369)
	Accumulated Sick Leave	<u>(522,711)</u>
Total Net Position - Governmental Activities		\$2,298,320

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2019

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources						
Property taxes	\$6,294,619	\$			\$1,205,956	\$7,500,575
Motor vehicle taxes	683,788					683,788
Utility taxes	1,174,549					1,174,549
Earnings on investments	69,682		195,111	16,414	2,606	283,813
Other local revenues	73,080	384,470				457,550
Intergovernmental - State	18,430,417	1,031,263		1,519,618	1,023,795	22,005,093
Intergovernmental - Federal	<u>0</u>	<u>1,380,600</u>		<u>105,919</u>		<u>1,486,519</u>
Total revenues	26,726,135	2,796,333	195,111	1,641,951	2,232,357	33,591,887
Expenditures						
Instruction	17,242,871	1,937,023				19,179,894
Support services						
Student	1,247,105	122,965				1,370,070
Instruction staff	712,840	414,190				1,127,030
District administration	1,253,920					1,253,920
School administration	1,263,695					1,263,695
Business	1,058,948					1,058,948
Plant operation and maintenance	1,826,958	33,585				1,860,543
Student transportation	1,491,540	99,817				1,591,357
Other instructional	4,403					4,403
Day care operations		26,695				26,695
Community service activities		229,386				229,386
Capital Outlay	(186)		10,274,353			10,274,167
Debt service				<u>3,593,713</u>		<u>3,593,713</u>
Total expenditures	26,102,094	2,863,661	10,274,353	3,593,713		42,833,821
Excess(deficit)of revenues over expenditures	624,041	(67,328)	(10,079,242)	(1,951,762)	2,232,357	(9,241,934)
Other Financing Sources (Uses)						
Operating transfers in	37,663	50,134	870,005	2,324,900		3,282,702
Operating transfers out	<u>(920,139)</u>	<u>(25,668)</u>			<u>(2,324,900)</u>	<u>(3,270,707)</u>
Total other financing sources (uses)	(882,476)	24,466	870,005	2,324,900	(2,324,900)	11,995
Change in Fund Balance on Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	(258,435)	(42,862)	(9,209,237)	373,138	(92,543)	(9,229,939)
Fund balance, July 1, 2018	<u>8,913,549</u>	<u>223,387</u>	<u>30,632,319</u>	<u>651,949</u>	<u>92,543</u>	<u>40,513,747</u>
Fund balance, June 30, 2019	\$8,655,114	\$180,525	\$21,423,082	\$1,025,087	\$0	\$31,283,808

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2019

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

Total net change in fund balances - governmental funds (\$9,229,939)

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.

Depreciation Expense	(1,347,361)	
Capital Outlays	<u>10,263,373</u>	8,916,012
Amortization of Advance Bond Refundings		(49,505)
Change in Deferred Outflows of Resources - Pensions		(318,280)
Change in Deferred Outflows of Resources - OPEB		11,036
Change in Deferred Inflows of Resources - Pensions		135,096
Change in Deferred Inflows of Resources - OPEB		(560,584)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond Principal Payments		2,030,000
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Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

Change in Accrued Interest		23,392
Change in Pension Liability		(282,601)
Change in OPEB Liability		436,769
KSBIT Judgment		34,109
Change in Sick Leave		<u>(150,103)</u>

Total Change in Net Position - Governmental Activities \$995,402

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2019

	Business-Type Activities Enterprise Funds		
	Food Service	Adult Education	Total
ASSETS			
Cash and Equivalents	\$274,698	\$0	\$274,698
Account Receivable	117,157		117,157
Inventory	51,985		51,985
Capital Assets, net of depreciation	<u>149,775</u>		<u>149,775</u>
TOTAL ASSETS	593,615	0	593,615
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension	269,126		269,126
Deferred outflows from OPEB	<u>88,071</u>		<u>88,071</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	357,197		357,197
LIABILITIES			
Accounts Payable	1,036		1,036
Unfunded Pension Liability	1,062,683		1,062,683
Unfunded OPEB Liability	<u>309,786</u>		<u>309,786</u>
TOTAL LIABILITIES	1,373,505		1,373,505
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	84,086		84,086
Deferred inflows from OPEB	<u>58,798</u>		<u>58,798</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	142,884		142,884
NET POSITION			
Net Investment in Capital Assets	149,775		149,775
Restricted - Other Pension	(877,643)		(877,643)
Restricted - Other OPEB	(280,513)		(280,513)
Restricted Net Position	<u>442,804</u>	<u>0</u>	<u>442,804</u>
TOTAL NET POSITION	(\$565,577)	\$0	(\$565,577)

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds		
	Food Service	Adult Education	Total
OPERATING REVENUES			
Lunchroom sales	\$418,615	\$0	\$418,615
Other revenues	<u>2,796</u>		<u>2,796</u>
Total Operating Revenues	421,411	0	421,411
OPERATING EXPENSES			
Salaries and wages	1,013,930		1,013,930
Contract services	46,215	22,700	68,915
Materials and supplies	786,262		786,262
Depreciation	<u>15,768</u>		<u>15,768</u>
Total Operating Expenses	1,862,175	<u>22,700</u>	1,884,875
Operating income (loss)	(1,440,764)	(22,700)	(1,463,464)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	981,067		981,067
Commodities received	91,641		91,641
State grants	13,030		13,030
State on-behalf payments	211,153		211,153
Indirect cost transfer to general fund	(11,995)		(11,995)
Interest income	<u>2,169</u>		<u>2,169</u>
Non-operating revenues (expenses)	1,287,065		1,287,065
Net income (loss) before Capital Contributions	(153,699)	(22,700)	(176,399)
Increase (decrease) in Net Position	(153,699)	(22,700)	(176,399)
Net Position, July 1, 2018	<u>(411,878)</u>	<u>22,700</u>	<u>(389,178)</u>
Net Position, June 30, 2019	(\$565,577)	\$0	(\$565,577)

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2019

Business-Type Activities
Enterprise Funds

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers	\$421,411	\$0	\$421,411
Cash paid to employees, including benefits	(596,778)		(596,778)
Cash paid to suppliers	<u>(760,854)</u>	<u>(22,700)</u>	<u>(783,554)</u>
Net cash provided by operating activities	(936,221)	(22,700)	(958,921)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from government funding	903,573		903,573
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset purchases	(50,901)		(50,901)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest Income	2,169		2,169
Net increase (decrease) in cash	(81,380)	(22,700)	(104,080)
Cash and equivalents, July 1, 2018	<u>356,078</u>	<u>22,700</u>	<u>378,778</u>
Cash and equivalents, June 30, 2019	\$274,698	\$0	\$274,698
Reconciliation of Operating income (loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	(\$1,440,764)	(\$22,700)	(\$1,463,464)
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation	15,768		15,768
On-behalf payments	211,153		211,153
Commodities used	91,641		91,641
Decrease (Increase) in inventory	(9,058)		(9,058)
Increase (decrease) in accounts payable	1,036		1,036
Increase (decrease) in pension	<u>194,003</u>		<u>194,003</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$936,221)	(\$22,700)	(\$958,921)
Schedule of Non-Cash Financing Activities			
Donated commodities	\$91,641		\$91,641
On Behalf payments	\$211,153		\$211,153

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 As of June 30, 2019

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and equivalents	\$65,222	\$265,230
Accounts receivable	<u> </u>	<u> </u>
TOTAL ASSETS	\$65,222	\$265,230
LIABILITIES		
Accounts payable		\$5,276
Due to student groups		<u>259,954</u>
TOTAL LIABILITIES		\$265,230
NET POSITION HELD IN TRUST	\$65,222	

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For The Year Ended June 30, 2019

	Private Purpose <u>Trust Funds</u>
ADDITIONS:	
Contributions	\$31,319
TOTAL ADDITIONS	<u>31,319</u>
DEDUCTIONS:	
Benefits Paid	31,317
TOTAL DEDUCTIONS	31,317
Change in Net Position	2
NET POSITION, July 1, 2018	<u>65,220</u>
NET POSITION, June 30, 2019	\$65,222

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Boyle County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Boyle County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as 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 Boyle County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

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

Basis of Presentation

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

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund (Fund 1) is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund (Fund 2) accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

- (C) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund (Fund 310) receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 2. The Facility Support Program of Kentucky (FSPK) Fund (Fund 320) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 3. The Construction Fund (Fund 360) includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations. This is a major fund this year.

II. Debt Service Fund

The Debt Service Fund (Fund 400) is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds. This is a major fund this year.

III. Proprietary Funds (Enterprise Fund)

1. The School Food Service Fund (Fund 51) 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). This is a major fund of the District.
2. The Adult Education Fund (Fund 54) is used to account for adult education activities.

IV. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

1. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Basis of Accounting

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

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

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

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2019, to finance operations were \$.718 per \$100 valuation for real property, \$.718 per \$100 valuation for business personal property. Motor vehicle tax rates were set at \$.539 per \$100 valuation.

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

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance

Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact will be classified as Nonspendable Fund Balance.

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

Interfund Balances

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

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

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 does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "sick leave payable in process" in the general fund. The noncurrent portion of the liability is not reported.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

Budgetary Process

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the treasurer at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

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

On district-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2019 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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, and expense, information about the fiduciary net position of the CERS and TRS and additions to /deductions from the fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. The plans recognizes benefit payments when due and payable in accordance with the benefit term.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

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 and collections for services such as child care.

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

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

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through November 13, 2019, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2019, have not been evaluated by the District.

Interfund Activity

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 after nonoperating 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.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

Uses of Estimates

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

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

NOTE B – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2019 were levied on the assessed valuation of property located in the School District as of January 1, 2018 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.015
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1 – January 31
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

NOTE C – CASH AND CASH EQUIVALENTS

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE C – CASH AND CASH EQUIVALENTS (continued)

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2019, the District’s deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District’s behalf and the FDIC insurance.

At year-end, the carrying amount of the District’s total cash and cash equivalents was \$31,542,708. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

	Bank Balance	Book Balance
General Checking Account		
Fund 1 (General Fund)	\$	\$ 8,185,879
Fund 2 (Special Revenue Fund)		114,027
Fund 22 (District Activity Fund)		180,525
Fund 310 (Capital Outlay Fund)		0
Fund 320 (Building Fund)		0
Fund 360 (Construction Fund)		21,423,082
Fund 51 (Food Service)		274,698
Fund 54 (Adult Education)		<u>0</u>
Total General Checking Account	30,286,940	30,178,211
Agency Funds	268,889	265,230
Debt Service Funds	<u>1,099,267</u>	<u>1,062,177</u>
TOTALS	\$ 31,655,096	\$31,505,618
Breakdown per financial statements:		
Governmental Funds		\$30,965,690
Proprietary Funds		274,698
Agency Funds		<u>265,230</u>
TOTALS		\$31,505,618

NOTE D – CAPITAL ASSETS

Depreciation expense was charged to functions of the governmental activities as follows:

Instruction	\$ 853,983
Support Services	
Student	322,381
District administration	4,836
School administration	594
Plant operations & maintenance	7,849
Student transportation	<u>157,718</u>
Total Depreciation expense, governmental activities	\$ 1,347,361

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE D – CAPITAL ASSETS

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

Governmental Activities	Beginning	Adjustments	Additions	Deletions	Ending
Land	1,009,950				1,009,950
Land Improvements	1,051,309				1,051,309
Buildings/Bldg Improvements	41,681,515				41,681,515
Technology Equipment	427,918			2,623	425,295
Vehicles	2,272,565	1,070,481	19,500		3,362,546
General Equipment	525,464		5,975		531,439
Construction Work In Process	<u>3,397,913</u>		<u>10,237,898</u>		<u>13,635,811</u>
Total Historical Cost	50,366,634	1,070,481	10,263,373	2,623	61,697,865
Accumulated Depreciation					
Land Improvements	379,834		52,488		432,322
Buildings/Bldg Improvements	23,077,206		1,112,546		24,189,752
Technology Equipment	369,347		2,129	2,623	368,853
Vehicles	1,279,724	1,070,481	156,933		2,507,138
General Equipment	<u>339,843</u>		<u>23,265</u>		<u>363,108</u>
Total Accumulated Depreciation	25,445,954	1,070,481	1,347,361	2,623	27,861,173
Capital Assets - Net	24,920,680	0	8,916,012	0	33,836,692
Business-Type Activities					
	Beginning		Additions	Deletions	Ending
Technology Equipment	23,622				23,622
General Equipment	<u>833,412</u>		<u>50,901</u>		<u>884,313</u>
Total Historical Cost	857,034		50,901		907,935
Accumulated Depreciation					
Technology Equipment	23,622				23,622
General Equipment	<u>718,770</u>		<u>15,768</u>		<u>734,538</u>
Total Accumulated Depreciation	742,392		15,768		758,160
Capital Assets - Net	114,642		35,133		149,775

The District discovered that several buses that had been surplused, had not been sold. They had previously been removed from fixed assets. They were put back into fixed assets since they are still being used.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Interest Rates
2004	\$515,000	3.00% -5.00%
2007	\$1,490,000	3.60% -4.00%
2010	\$2,765,000	4.5%
2010R	\$5,395,000	1.00% - 3.00%
2011	\$2,095,000	1.00% - 4.25%
2012	\$1,320,000	2.83%
2012QZAB	\$2,823,000	4.08%
2013R	\$4,315,000	1.91% - 2.00%
2016R	\$855,000	2.35%
2016	\$1,895,000	2.00% - 3.25%
2019	\$32,555,000	3.00% - 3.75%

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

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2019.

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2019, for debt service (principal and interest) are as follows:

The District has the following lines of credit:

Walmart	\$ 16,500
Lowe's	\$ 16,000

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE E - BONDED DEBT AND LEASE OBLIGATIONS (continued)

Year	Boyle County School		SFCC		Urgent Principal	Needs Interest	Sinking Fund		U.S.	
	Principal	Interest	Principal	Interest			Boyle	SFCC	Treasury	Total
2019-20	1,161,324	873,337	452,645	137,892	481,031	377,934	24,547	70,118	112,920	3,691,748
2020-21	1,192,829	839,978	466,709	123,828	495,462	363,503	24,547	70,118	112,920	3,689,894
2021-22	1,234,265	800,220	345,410	110,204	510,325	348,639	24,547	70,118	112,920	3,556,648
2022-23	1,264,026	769,292	355,339	100,119	525,635	333,329	24,547	70,118	112,920	3,555,325
2023-24	1,292,566	737,434	366,030	89,426	541,404	317,560	24,547	70,118	112,920	3,552,005
2024-25	1,325,908	704,469	336,446	78,202	557,646	301,318	24,547	70,118	112,920	3,511,574
2025-26	1,359,412	670,485	331,212	68,654	574,376	284,589	24,547	70,118	112,920	3,496,313
2026-27	1,389,809	641,529	293,584	59,216	591,607	267,358	24,547	70,118	112,920	3,450,688
2027-28	1,436,654	597,150	223,991	49,743	609,355	249,609	24,547	70,118	112,920	3,374,087
2028-29	1,485,204	549,350	232,160	41,572	627,636	231,329	24,547	70,118	112,920	3,374,836
2029-30	1,532,902	500,555	240,633	33,098	646,465	212,500	24,547	70,118	112,920	3,373,738
2030-31	1,580,472	449,958	193,669	24,052	665,859	193,106	24,547	70,118	112,920	3,314,701
2031-32	1,629,442	400,146	88,891	16,779	686,667	172,298	24,548	70,118	112,920	3,201,809
2032-33	1,680,195	349,402	91,680	13,989	708,125	150,839	24,548	70,118	112,920	3,201,816
2033-34	1,660,139	299,370	94,607	11,063	730,254	128,710	94,666	0	112,920	3,131,729
2034-35	1,718,330	245,417	97,683	7,988	753,987	104,977	94,666	0	112,920	3,135,968
2035-36	4,592,945	189,570	46,563	4,813	778,492	80,473	94,666	0	112,920	5,900,442
2036-37	1,923,130	132,047	48,077	3,300	803,793	55,172	0	0	0	2,965,519
2037-38	<u>1,989,380</u>	<u>67,142</u>	<u>49,699</u>	<u>1,678</u>	<u>830,921</u>	<u>28,044</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,966,864</u>
Totals	31,448,932	9,816,851	4,355,028	975,616	12,119,040	4,201,287	627,658	981,652	1,919,640	66,445,704

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	\$49,953,000	\$0	\$2,030,000	\$47,923,000	\$2,095,000
Sick Leave	\$372,607	\$274,237	\$112,691	\$534,153	\$54,264
KSBIT Assessment	<u>\$68,218</u>		<u>\$34,109</u>	<u>\$34,109</u>	<u>\$34,109</u>
Totals	\$50,393,825	\$274,237	\$2,176,800	\$48,491,262	\$2,183,373

NOTE F – NONCAPITAL LEASES

Commitments under operating lease agreements for building provide the minimum future rental payments as of June 30, 2019 as follows:

Year Ending June 30, 2020	\$ 36,000
2021	36,000
2022	0
2023	0
2024	0
Later years	<u>0</u>
Total	\$ 72,000

NOTE G – 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 is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

NOTE H - CONTINGENCIES

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

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE I – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2019, this amount totaled \$534,153.

NOTE J – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 90,049

NOTE K – RISK MANAGEMENT

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

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

NOTE L – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures

General Fund	(295,525)
Special Revenue	(42,862)
Building Fund	(92,543)
Construction Fund	(9,209,237)
Food Service	(153,699)
Adult Education	(22,700)

NOTE M – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	KETS Matching	\$ 50,134
Operating	2	1	Indirect Cost	25,668
Operating	51	1	Indirect Cost	11,995
Operating	1	360	Construction	870,005
Debt Service	1	400	Bond Payment	37,089
Debt Service	310	400	Bond Payment	239,025
Debt Service	320	400	Bond Payment	2,085,875

NOTE O – ON-BEHALF PAYMENTS

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health Insurance	\$ 2,929,777
Life Insurance	4,491
Administrative Fees	37,074
Health Reimbursement Account	119,279
Federal Reimbursement	(89,985)
TRS	4,410,760
Technology On Behalf Payments	100,184
Debt Service On Behalf Payments	<u>1,519,618</u>
Total On-Behalf Payments	\$ 9,031,198
General Fund	\$ 7,300,427
Debt Service	1,519,618
Food Service	211,153

NOTE P – KSBIT JUDGMENT

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Boards Insurance Trust Workers' Compensation Fund. The District was assessed \$52,259 for their liability portion. The District has elected to pay 25% down, and the balance in equal installments for 6 years.

The following is a schedule by years of the future payments under the agreement.

<u>Year Ending</u> <u>June 30.</u>	<u>Amount</u>
2020	<u>34,109</u>
Total	\$ 34,109

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE Q – GASB 88

The provisions of GASB 88 were adopted by the District for the fiscal year beginning July 1, 2018. The primary objective of the Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS

	Government	Food Service	Total
Deferred Outflows			
CERS Pension Contributions	418,716	65,610	484,326
CERS Pension	1,146,059	203,516	1,349,575
CERS OPEB Contributions	135,786	21,277	157,063
CERS OPEB	376,143	66,794	442,937
TRS OPEB MIF contribution	398,782	0	398,782
TRS OPEB MIF	<u>105,000</u>	<u>0</u>	<u>105,000</u>
	2,580,486	357,197	2,937,683
Deferred Inflows			
CERS Pension	473,516	84,086	557,602
CERS OPEB	331,114	58,798	389,912
TRS OPEB MIF	<u>432,000</u>	<u>0</u>	<u>432,000</u>
	1,236,630	142,884	1,379,514
Pension Liability			
CERS	5,984,287	1,062,683	7,046,970
OPEB Liability			
CERS	1,744,498	309,786	2,054,284
TRS MIF	7,655,000	0	7,655,000
TRS LIF	<u>0</u>	<u>0</u>	<u>0</u>
	9,399,498	309,786	9,709,284
Pension Expense			
CERS	953,223	169,272	1,122,495
OPEB Expense			
CERS	226,946	40,300	267,246
TRS MIF	395,000	0	395,000
	621,946	40,300	662,246

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

Teachers' Retirement System of the State of Kentucky (TRS)

Plan Description – Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public education 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 <http://trs.ky.gov/financial-reports-information>.

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of services, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

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

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

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System.

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

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, 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. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

Funding policy – In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three and three quarter percent (3.75%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2019, the Kentucky School District did not report a liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

State's proportionate share of the net pension liability associated with the District	<u>\$ 56,145,219</u>
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BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

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 that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District's proportion was 0.4288 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$4,068,145 and revenue of \$4,068,145 for support provided by the State on the Fund financial statements.

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

Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Projected salary increases	3.50 – 7.30%, including inflation
Inflation rate	3.00%
Municipal Bond Index Rate	3.89%
Single Equivalent Interest Rate	7.50%

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories	8.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	0.9%
Total	100.0%	

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

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

The following table presents the District’s proportionate share of the net pension liability of the System, calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.5%) than the current rate (\$ thousands):

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
System's net pension liability	\$75,449	\$56,145	\$44,904

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report. June 30, 2017 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2018 using standard roll forward techniques for the TPL using a discount rate of 7.50%. An expected TPL was also determined using the prior year discount rate of 4.49%, which was based on a municipal bond index rate of 3.56%. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate (SEIR) for the year. The difference between these two roll-forward amounts as of June 30, 2018 is the gain or loss due to changes in assumptions and other inputs.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported (as of June 30, 2015 for the fiscal year 2018 contributions). The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule.

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29.3 years
Asset valuation method	5*year smoothed market
Inflation	3.50 percent
Salary increase	4.00 to 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The Total OPEB Liability (TOL) as of June 30, 2018 was determined based on an actuarial valuation prepared as of June 30, 2017, using the following actuarial assumptions and other inputs:

Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including Inflation	
MIF	8.00%
LIF	7.50%
Municipal Bond Index Rate	3.89%
Year FNP is projected to be depleted	
MIF	n/a
LIF	n/a
Single Equivalent Interest Rate, net of OPEB Plan investment expense, including price	
Inflation	
MIF	8.00%
LIF	7.50%
MIF Health Care Cost Trends	
Under Age 65	7.75% for FYE 2018 decreasing to an Ultimate rate of 5.00% by FYE 2023
Ages 65 and Older	5.75% for FYE 2018 decreasing to an Ultimate rate of 5.00% by FYE 2020
Medicare Part B Premiums	1.02% for FYE 2018 with an ultimate Rate of 5.00% by 2029

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2017 valuation of the MIF were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The health care cost trend assumption was updated for the June 30, 2017 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

The following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. This chart is not shown for the Life Insurance Fund (LIF) since there is no health care trend component of the liabilities:

	<u>Health Care Cost Trend Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
MIF Net OPEB Liability	\$6,348,000	\$7,655,000	\$9,268,000

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

MIF Discount rate (SEIR): The discount rate used to measure the TOL at June 30, 2018 was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2017. In addition to the actuarial methods and assumptions of the June 30, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%

The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves in all years except in Fiscal Year 2020. If these costs are not paid by the State or the retirees themselves and are instead paid by the Fund for all future years, we have calculated that the FNP would be projected to be depleted in 2040 and an SEIR of 4.88% would need to be used in the determination of the TOL as of the Measurement Date.

As administrative expenses, other than the administrative fee of \$7.44 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.

Cash flows occur mid-year.

Future contribution to the MIF were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c)3 and 161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following MIF statutory contributions are to be decreased, suspended, or eliminated:

Employee contributions

School District/University Contributions

State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the MIF is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the MIF's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675 (4)(b).

In developing the adjustments to the statutory contributions in future years, the following was assumed:

Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.

For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

The MIF's FNP was not projected to be depleted.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

LIF Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2017. In addition to the actuarial methods and assumptions of the June 30, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the LIF's cash flows:

Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%

The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the LIF's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.

As administrative expenses were assumed to be paid in all years by the employer as the come due they were not considered.

Active employees do not explicitly contribute to the plan.

Cash flows occur mid-year.

Based on these assumptions, the LIF's FNP was not projected to be depleted.

Periods of projected benefit payments: Projected future benefit payments for all current plan members were projected through 2115.

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

<u>Asset Class</u>	<u>MIF</u> <u>Target</u> <u>Allocation</u>	<u>30 Year Expected Geometric</u> <u>Real Rate of Return</u>
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Other Additional Categories *	20.0%	3.3%
Cash (LIBOR)	<u>1.0%</u>	0.9%
Total	100.0%	

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

<u>Asset Class</u>	<u>LIF</u>	30 Year Expected Geometric <u>Real Rate of Return</u>
	<u>Target Allocation</u>	
U.S. 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%
Other Additional Categories	6.00%	3.30%
Cash (LIBOR)	<u>2.00%</u>	0.90%
Total	100.00%	

There is no LIF Net OPEB Liability.

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Please see Section V of the report on the website for the development of the collective OPEB expense. The District's proportionate share of the net OPEB expense is \$395,000, the state contributed \$479,000 on behalf of the District for a total OPEB expense of \$874,000.

Since certain items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce OPEB expense they are labeled deferred inflows. If they will increase OPEB expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive system members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

The collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Deferred Amounts to be recognized in Fiscal Years Ending	Deferred Outflows/ (Inflows) of Resources MIF
2020	\$(66,000)
2021	\$(66,000)
2022	\$(66,000)
2023	\$(52,000)
2024	\$(55,000)
thereafter	\$(22,000)

There are no non-employer contributions recognized for the support provided by non-employer contributing entities in PEEHIP.

KENTUCKY RETIREMENT SYSTEM
County Employees Retirement System (CERS)

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 21.48% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30, 2018, the District's proportion was 0.115708%.

For the year ended June 30, 2019, the District recognized pension expense of \$1,122,495. At June 30, 2019, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$484,326, deferred outflows of resources from change of assumptions and expectations of \$1,349,575, and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$557,602.

District contributions subsequent to the measurement date of \$484,326 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

<u>Year</u>	Deferred Outflows (Inflows)
2020	\$ 583,466
2021	309,419
2022	(63,088)
2023	(37,824)
2024	<u>0</u>
	<u>\$ 791,973</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	27 years, closed
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increase	4.00% average
Investment Rate of Return	7.50%,
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The long-term expected return 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. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	
Non U.S. Equity	17.50%	
Global Bonds	10.00%	3.00%
Credit Fixed	17.00%	
Real Estate	5.00%	7.00%
Absolute Return	10.00%	5.00%
Private Equity	10.00%	6.50%
Real Return	10.00%	5.00%
Cash	3.00%	1.50%
	<u>100.0%</u>	

Discount Rate: The projection of cash flows used to determine the discount rate of 6.25% for the CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2019, is based on the June 30, 2017, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, 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 <u>(5.25%)</u>	Current discount rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
District's proportionate share of the net pension liability	\$ 8,871,405	\$ 7,046,970	\$ 5,518,413

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2019 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

OPEB

CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan for members that cover all regular full-time members. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

The net OPEB liability is the total OPEB liability, less the amount of the plan's fiduciary net position. The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation performed 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.

There have been no changes in actuarial assumptions since June 30, 2017.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The long-term expected return 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. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	17.50%	
Non U.S. Equity	17.50%	
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Private Equity	10.00%	6.50%
Real Return	10.00%	7.00%
Cash	<u>2.00%</u>	1.50%
	<u>100.0%</u>	

Discount Rate: The projection of cash flows used to determine the discount rate of 5.85% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, an 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 trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

The District's proportionate share of the Net OPEB Liability as of June 30, 2018 is \$2,054,284. The District's proportionate share is 0.115703%. The District's proportionate share of the OPEB expense is \$267,246. The total Deferred Outflows of Resources is \$442,937 and the total Deferred Inflows of Resources is \$389,912. Total employer contributions were \$134,787, implicit subsidy was \$24,517 for a total contributions of \$159,304.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

	Discount Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	4.85%	5.85%	6.85%
Net OPEB Liability	2,668,185	2,054,284	1,531,352

	Healthcare Cost Trend Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	1,529,435	2,054,284	2,672,930
Net OPEB Liability	1,529,435	2,054,284	2,672,930

The following actuarial methods and assumptions, for actuarially determined contributions effective for the fiscal year ending June 30, 2018:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	27 Years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increases	4.00% average
Investment Rate of Return	7.50%
Healthcare 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,
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,

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2019

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

The following is a summary of collective deferred outflows and Inflows of Resources arising from current and prior reporting periods.

Deferred Amounts to be recognized in Fiscal Years Ending

	Deferred Outflows/ (Inflows) of Resources MIF
2020	\$12,479
2021	\$12,479
2022	\$12,479
2023	\$39,960
2024	\$(12,696)
thereafter	<u>\$(11,676)</u>
Total	\$53,025

SUPPLEMENTARY INFORMATION

BOYLE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 For The Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	7,455,313	7,888,676	8,152,956	264,280
Other Local Sources	87,000	126,500	142,762	16,262
State Sources	<u>14,697,457</u>	<u>14,697,457</u>	<u>18,430,417</u>	<u>3,732,960</u>
TOTAL REVENUES	22,239,770	22,712,633	26,726,135	4,013,502
EXPENDITURES				
Instruction	14,378,230	14,623,685	17,242,871	(2,619,186)
Support Services				
Student	1,149,438	1,140,083	1,247,105	(107,022)
Instructional Staff	752,343	827,397	712,840	114,557
District Administration	1,345,170	985,131	1,253,920	(268,789)
School Administration	1,234,280	1,219,404	1,263,695	(44,291)
Business	966,503	1,072,357	1,058,948	13,409
Plant Operation and Maintenance	1,700,598	2,162,817	1,826,958	335,859
Student Transportation	1,790,365	1,687,212	1,491,540	195,672
Other Instructional	10,606	10,606	4,403	6,203
Community Services	17,154	0	0	0
Facilities	0	0	(186)	186
Contingency	<u>5,144,819</u>	<u>6,477,316</u>	<u>0</u>	<u>6,477,316</u>
TOTAL EXPENDITURES	28,489,506	30,206,008	26,102,094	4,103,914
Excess (Deficit) of Revenues Over Expenditures	(6,249,736)	(7,493,375)	624,041	8,117,416
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	7,720	36,581	37,663	1,082
Operating Transfers Out	<u>0</u>	<u>(883,550)</u>	<u>(920,139)</u>	<u>(36,589)</u>
TOTAL OTHER FINANCING SOURCES (USES)	7,720	(846,969)	(882,476)	(35,507)
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(6,242,016)	(8,340,344)	(258,435)	8,081,909
Fund Balance, July 1, 2018	<u>6,242,016</u>	<u>8,339,094</u>	<u>8,913,549</u>	<u>574,455</u>
Fund Balance, June 30, 2019	\$0	(\$1,250)	\$8,655,114	\$8,656,364

BOYLE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE
 For The Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
State Sources	\$84,134	\$1,387,995	\$1,031,263	(356,732)
Federal Sources	379,143	1,924,539	1,380,600	(543,939)
Local Sources	<u>0</u>	<u>70,664</u>	<u>384,470</u>	<u>313,806</u>
TOTAL REVENUES	463,277	3,383,198	2,796,333	(586,865)
EXPENDITURES				
Instruction	455,557	2,480,197	1,937,023	543,174
Support Services				
Student	0	945	122,965	(122,020)
Instructional Staff	0	544,172	414,190	129,982
Plant Operations & Maintenance	0	51,610	33,585	18,025
Student Transportation	0	0	99,817	(99,817)
Day Care Operations	0	43,960	26,695	17,265
Community Service Operations	<u>0</u>	<u>318,254</u>	<u>229,386</u>	<u>88,868</u>
TOTAL EXPENDITURES	455,557	3,439,138	2,863,661	575,477
Excess (Deficit) of Revenues Over Expenditures	7,720	(55,940)	(67,328)	(11,388)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	0	36,000	50,134	14,134
Operating Transfers Out	<u>(7,720)</u>	<u>(27,506)</u>	<u>(25,668)</u>	<u>1,838</u>
TOTAL OTHER FINANCING SOURCES (USES)	(7,720)	8,494	24,466	15,972
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	(47,446)	(42,862)	4,584
Restricted Fund Balance, July 1, 2018	<u>0</u>	<u>0</u>	<u>223,387</u>	<u>223,387</u>
Restricted Fund Balance, June 30, 2019	\$0	(\$47,446)	\$180,525	227,971

BOYLE COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 For The Year Ended June 30, 2019

	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)					
TRS	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$7,046,970</u>	<u>\$6,603,760</u>	<u>\$5,679,180</u>	<u>\$4,918,130</u>	<u>\$3,877,000</u>
Total	\$7,046,970	\$6,603,760	\$5,679,180	\$4,918,130	\$3,877,000
District's proportionate share of the net pension liability (asset)					
TRS	0	0	0	0	0
CERS	0.115708%	0.112821%	0.115350%	0.114390%	0.119503%
State's proportionate share of the net pension liability (asset) associated with the District					
TRS	\$56,145,219	\$113,203,135	\$121,213,583	\$96,513,321	\$76,313,459
District's covered employee payroll					
TRS	\$13,805,807	\$13,289,965	\$12,472,513	\$12,221,235	\$11,628,199
CERS	\$2,867,357	\$2,747,289	\$2,732,188	\$2,771,746	\$2,860,163
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll					
TRS	0	0	0	0	0
CERS	245.77%	240.37%	207.86%	177.44%	135.55%
Plan fiduciary net position as a percentage of the total pension liability					
TRS	59.28%	39.83%	35.22%	42.49%	45.59%
CERS	53.54%	53.30%	55.50%	59.97%	66.80%

Note: The schedule is intended to show information for the last 10 fiscal years.
 Additional years will be displayed as they become available.

BOYLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS
For The Year Ended June 30, 2019

	2019	2018	2017	2016	2015
Contractually required contributions					
TRS	\$506,659	\$486,362	\$406,078	\$261,545	\$224,884
CERS	<u>\$415,258</u>	<u>\$383,196</u>	<u>\$327,703</u>	<u>\$341,522</u>	<u>\$519,429</u>
Total	\$921,917	\$869,558	\$733,781	\$603,067	\$744,313
Contributions in relation to the contractually required contribution					
TRS	\$506,659	\$486,362	\$406,078	\$261,545	\$224,884
CERS	<u>\$415,258</u>	<u>\$383,196</u>	<u>\$327,703</u>	<u>\$341,522</u>	<u>\$519,429</u>
Total	\$921,917	\$869,558	\$733,781	\$603,067	\$744,313
Contribution deficiency (excess)					
TRS	\$0	\$0	\$0	\$0	\$0
CERS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0	\$0	\$0	\$0
District's covered employee payroll					
TRS	\$13,805,807	\$13,289,965	\$12,472,513	\$12,221,235	\$11,628,199
CERS	<u>\$2,867,357</u>	<u>\$2,747,289</u>	<u>\$2,732,188</u>	<u>\$2,771,746</u>	<u>\$2,860,163</u>
Total	\$16,673,164	\$16,037,254	\$15,204,701	\$14,992,981	\$14,488,362
Contributions as a percentage of covered employee payroll					
TRS	3.67%	3.66%	3.26%	2.14%	1.93%
CERS	14.48%	13.95%	11.99%	12.32%	18.16%

Note: The schedule is intended to show information for the last 10 fiscal years.
Additional years will be displayed as they become available.

BOYLE COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 For The Year Ended June 30, 2019

	2019	2018
District's proportion of the net OPEB liability (asset)		
CERS	\$2,054,284	\$2,268,088
TRS - Medical Insurance	\$7,655,000	\$7,878,000
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>
Total	\$9,709,284	\$10,146,088
District's proportionate share of the net OPEB liability (asset)		
CERS	0.115703%	0.112821%
TRS - Medical Insurance	0.220624%	0.220937%
TRS - Life Insurance	0.000000%	0.000000%
Total		
State's proportionate share of the net OPEB liability (asset) associated with the District		
TRS - Medical Insurance	\$6,597,000	\$6,435,000
TRS - Life Insurance	<u>\$113,000</u>	<u>\$86,000</u>
Total	\$6,710,000	\$6,521,000
District's covered employee payroll		
TRS	\$13,805,807	\$13,289,965
CERS	\$2,867,357	\$2,747,289
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll		
CERS	71.64%	82.56%
TRS - Medical Insurance	55.45%	59.28%
TRS - Life Insurance	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability		
CERS	57.62%	52.40%
TRS - Medical Insurance	25.54%	21.18%
TRS - Life Insurance	74.97%	79.99%

Note: The schedule is intended to show information for the last 10 fiscal years.
 Additional years will be displayed as they become available.

BOYLE SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 For The Year Ended June 30, 2019

	2019	2018
Contractually required contributions		
CERS	\$159,304	\$144,161
TRS - Medical Insurance	\$393,001	\$378,528
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>
Total	\$552,305	\$522,689
Contributions in relation to the contractually required contribution		
CERS	\$159,304	144,161
TRS - Medical Insurance	\$393,001	\$378,528
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>
Total	\$552,305	\$522,689
Contribution deficiency (excess)		
CERS	\$0	\$0
TRS - Medical Insurance	\$0	\$0
TRS - Life Insurance	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0
District's covered employee payroll		
TRS	\$13,805,807	\$13,289,965
CERS	<u>\$2,867,357</u>	<u>\$2,747,289</u>
Total	\$16,673,164	\$4,990,828
Contributions as a percentage of covered employee payroll		
TRS	2.85%	2.85%
CERS	5.55%	5.25%

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2019

PENSIONS

Changes of benefit terms

TRS - none

CERS -none

Changes of assumptions

TRS

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

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

In the 2016 valuation, rates of withdrawal, retirement, disability and morality were adjusted to more closely reflect actual experience.

In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease.

In 2016, the calculation of the Single Equivalent Interest Rate (SEIR), resulted in an assumption change from 4.88% to 4.20%.

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

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

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity Mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothing methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

CERS

None since June 30, 2017.

OPEB

Changes of benefit terms

TRS

The following change was made to the assumptions as noted:

June 30, 2018 (Valuation Date: June 30, 2017)

MIF

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored.

LIF - None

CERS - none

Changes of assumptions

TRS - none

CERS

There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system now pay 100% of the insurance for spouses and children of all active members who die in the line of duty.

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of June 30, 2019

	SEEK Capital Outlay Fund	Building Fund	Total
ASSETS AND RESOURCES			
Cash and equivalents	\$0	\$0	\$0
TOTAL ASSETS AND RESOURCES	\$0	\$0	\$0
FUND BALANCES			
Restricted - Other		<u>0</u>	<u>0</u>
TOTAL FUND BALANCES	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$0	\$0

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2019

	SEEK Capital Outlay Fund	Building Fund	Total
REVENUES			
Property Taxes	\$	\$1,205,956	\$1,205,956
Earnings on investments	294	2,312	2,606
Intergovernmental-State	<u>238,731</u>	<u>785,064</u>	<u>1,023,795</u>
TOTAL REVENUES	239,025	1,993,332	2,232,357
EXPENDITURES			
None			
TOTAL EXPENDITURES	0	0	0
Excess (deficit) revenues over expenditures	239,025	1,993,332	2,232,357
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(239,025)</u>	<u>(2,085,875)</u>	<u>(2,324,900)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(239,025)	(2,085,875)	(2,324,900)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	0	(92,543)	(92,543)
Restricted Fund Balance, July 1, 2018	<u>0</u>	<u>92,543</u>	<u>92,543</u>
Restricted Fund Balance, June 30, 2019	\$0	\$0	\$0

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 AGENCY FUNDS
 As of June 30, 2019

	Boyle County High School	Boyle County Middle School	Junction City Elementary School	Perryville Elementary School	Woodlawn Elementary School	Total
ASSETS						
Cash and equivalents	\$130,590	\$54,315	\$12,790	\$56,609	\$10,926	\$265,230
Accounts receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	\$130,590	\$54,315	\$12,790	\$56,609	\$10,926	\$265,230
LIABILITIES						
Accounts payable	\$3,597	\$1,679	\$0	\$0	\$0	\$5,276
Due to student groups	<u>126,993</u>	<u>52,636</u>	<u>12,790</u>	<u>56,609</u>	<u>10,926</u>	<u>259,954</u>
TOTAL LIABILITIES	\$130,590	\$54,315	\$12,790	\$56,609	\$10,926	\$265,230

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, FUND BALANCE
 AGENCY FUNDS
 For The Year Ended June 30, 2019

	Cash July 1, 2018	Receipts	Disbursements	Cash June 30, 2019	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups June 30, 2019
Boyle County High School	\$150,493	\$485,365	\$505,268	\$130,590	\$0	\$3,597	\$126,993
Boyle County Middle School	\$49,656	\$167,011	\$162,352	\$54,315		\$1,679	\$52,636
Junction City Elementary School	\$12,620	\$21,373	\$21,203	\$12,790			\$12,790
Perryville Elementary School	\$62,187	\$53,636	\$59,214	\$56,609			\$56,609
Woodlawn Elementary	<u>\$9,776</u>	<u>\$62,296</u>	<u>\$61,146</u>	<u>\$10,926</u>	<u>0</u>	<u>0</u>	<u>\$10,926</u>
TOTAL ACTIVITY FUNDS	\$284,732	\$789,681	\$809,183	\$265,230	\$0	\$5,276	\$259,954

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
BOYLE COUNTY HIGH SCHOOL
For The Year Ended June 30, 2019

	Cash				Cash	Accounts	Accounts	Due To
	Beginning	Receipts	Disbursements	Transfers	Ending	Receivable	Payable	Student Groups
						Ending	Ending	Ending
Administrative Exp.	\$2,926	\$0	\$97	815	\$3,644	\$0	\$0	\$3,644
Activity Fee	7,000	7,000	7,000		7,000			7,000
General	9,536	3,294	3,630	470	9,670		5	9,665
Vending	6,586	1,131	3,902		3,815			3,815
Guidance Office	8,250	14,025	20,490	(10)	1,775			1,775
Bass Fishing Team	7,973	22,242	33,754	5,000	1,461			1,461
Chromebooks	988	2,550	2,758		780			780
Improv Club	665		645		20			20
Youth Service Center	1,371	1,274	1,003	(320)	1,322			1,322
Elementary Girls Basket	624	1,440	827		1,237			1,237
Elementary Boys Basket	700				700			700
AP Government	0	9,861	9,861		0			0
Project Graduation	1,436	21,952	22,582	486	1,292		481	811
Bowling	482				482			482
Mock Trial	675	1,689	1,835		529			529
Water Watch Grant	1,000		873		127			127
eSports	0	800		4,000	4,800			4,800
Bass-Lester	0	1,930			1,930			1,930
Athletics	12,359	131,870	139,417	660	5,472		2,007	3,465
Athletic Trainer	1,792	1,980	1,562		2,210			2,210
Baseball	814	750	755		809			809
Basketball-Boys	2,456	3,707	506	(700)	4,957			4,957
Basketball-Girls	1,554	750	347		1,957			1,957
Cheerleaders	1,246	6,606	7,852		0			0
Cross Country	5,143	2,687	2,737	(17)	5,076			5,076
Volleyball	816	1,600	1,600		816			816
Boys Golf	3,264	2,076	1,846		3,494			3,494
Girls Golf	1,061				1,061			1,061
Girls Soccer	15	4,660	4,595		80			80
Softball	0	1,680	1,680		0			0
Swim Team	408	4,554	4,526		436			436
Tennis	573	6,802	4,713		2,662		56	2,606
Art Club	407	1,084	1,326	(10)	155			155
National Honor Society	984	1,495	1,000		1,479			1,479
DECA	2,388	1,500	2,292		1,596			1,596
STLP	314	150	88		376			376
F.C.A.	457	125	112		470		165	305
TSA	0	2,102	2,102		0			0
FCCLA	575	8,005	7,725		855			855
HOSA	616	4,613	5,040	150	339			339
Allied Health	335		290		45			45
Drama Club	0	2,529	1,405		1,124			1,124
Speech & Debate	0	1,245	1,149		96			96
Key Club	589	559	677		471			471
Pep Club	517	465	478		504			504
Book Club	246	988	852		382			382
Spanish Club	64	82	79		67			67
Outdoor Club	363	359			722			722
Change of Heart	31				31			31
Y Club	1,044	19,614	20,003		655			655

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
BOYLE COUNTY HIGH SCHOOL
For The Year Ended June 30, 2019

	Cash				Cash	Accounts	Accounts	Due To
	Beginning	Receipts	Disbursements	Transfers	Ending	Receivable	Payable	Student Groups
						Ending	Ending	Ending
Rebel Zone	10,871	13,304	11,148	(5,320)	7,707			7,707
FMD Class Project	201	354	438		117			117
Ag Mech	63	3,012	2,095	(200)	780		186	594
Academic Team	139	250	385		4			4
Horticulture	18,837	13,702	16,018		16,521		105	16,416
Language Arts	334	4,307	4,288	75	428			428
Foreign Language	26				26			26
Library	5,007	863	1,658	208	4,420			4,420
Math	11	334	334		11			11
Music	3	138			141			141
Science	904	1,214	1,577		541			541
Environmental Club	343	169	553	50	9			9
Class of 2021	820	636			1,456			1,456
Class of 2019	0	17,860	17,140	(424)	296			296
Class of 2018	930		656	(274)	0			0
Class of 2020	2,049	11,318	9,425		3,942			3,942
Class of 2022	0	738			738			738
Mass Media	7,117	4,460	1,899	(4,020)	5,658			5,658
Chess Club	344				344			344
Gibson's Classroom	98		88		10			10
Thomason Teach	64			(64)	0			0
Wrestling	31				31			31
Aqua Culture	699	20	206		513			513
School Play	1,266	1,892	1,629	(815)	714			714
Rebel Textiles	1,930	3,395	4,789	60	596		152	444
Ping Pong	589				589			589
PND Bank	6				6			6
Web Journalism	34				34			34
Yoga	1,055	3,087	2,184	(50)	1,908			1,908
Teacher Fund	50				50		39	11
Magic Club	110	147	230		27			27
Boyled Perfection	25	461	179		307			307
E Rebel Zone	4				4			4
FFA	4,566	36,616	39,825	250	1,607		401	1,206
Fees - DAF	<u>1,324</u>	<u>63,263</u>	<u>62,513</u>	<u>0</u>	<u>2,074</u>			<u>2,074</u>
Total	\$150,493	\$485,365	\$505,268	\$0	\$130,590	\$0	\$3,597	\$126,993

BOYLE COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2019

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002	\$728,099
School Breakfast Program	10.553	7760005	208,010
Summer Food Service Program for Children	10.559	7690024	4,243
Summer Food Service Program for Children	10.559	7740023	40,715
Commodities	10.555	not provided	<u>91,641</u>
Total Child Nutrition Cluster			1,072,708
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,072,708
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	3100002	521,282
Title I, Part D			
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	not provided	20,180
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002	587,134
Special Education-Grants to States (IDEA, Part B)	84.173	3800002	<u>65,523</u>
		subtotal	652,657
Career and Technical Education - Basic Grants To States	84.048	3710002	19,242
Student Support and Academic Enrichment Program	84.424	3420002	34,513
Supporting Effective Instruction State Grant	84.367	3230002	<u>71,506</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,319,380</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$2,392,088

The accompanying notes are an integral part of this schedule

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Boyle County School District (the "District") under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The District did not use the 10 percent de minimis indirect cost rate.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$91,641.

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
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GEORGETOWN, KENTUCKY 40324
859-421-5062**

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

State Committee For School District Audits
Members of the Board of Education
Boyle County School District
Danville, Kentucky

We have audited, 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, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyle County Board of Education as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 13, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

I noted certain matters that I reported to management of the District in a separate letter dated November 13, 2019.

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.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 13, 2019

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062**

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

State Committee For School District Audits
Members of the Board of Education
Boyle County School District
Danville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Boyle County School District's (the "District") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 13, 2019

BOYLE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no
Significant deficiency(s) identified yes none reported
Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no
Significant deficiency(s) identified yes none reported

An unmodified opinion was issued on compliance for all major programs.

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

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None Reported

BOYLE COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2019

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

There were no prior year findings

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings

MANAGEMENT LETTER

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062**

Boyle County Board of Education
Danville, Kentucky

We have audited the financial statements of the Boyle County School District for the year ended June 30, 2019 and have issued our report thereon dated November 13, 2019. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Boyle County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Boyle County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2018-001, 2018-002, 2018-004, 2018-005, 2018-006, 2018-009, 2018-010.

The following items from last year's management letter points were not corrected: 2018-003, 2018-007, 2018-008..

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 13, 2019

CURRENT YEAR MANAGEMENT POINTS

BOYLE COUNTY HIGH SCHOOL

2019-001

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form. **This is a repeat finding from past four years. (2018-003)**

Management's Response:

We have reminded teachers on opening day and will remind them often that students are to sign multiple receipt forms when money is collected and teachers are not to sign for them.

2019-002

The Multiple Receipt forms are not being completed in their entirety. Some teachers are not putting their name at the top of the form. Some teachers are omitting the total amount remitted from the form. Some forms are not dated or signed. The Principal should remind teachers/sponsors to complete all forms before turning them in. **This is a repeat from last year. (2018-007)**

Management's Response:

We will remind teachers to complete all sections of the multiple receipt form.

BOYLE COUNTY MIDDLE SCHOOL

2019-003

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily. **This is a repeat finding from the past four years. (2018-008)**

Management's Response:

The Principal put this on the opening day agenda for staff and added it to the teacher expectations to turn in money daily. The Principal met with the one teacher that is a repeat offender.

2019-004

According to the Redbook, "All checks shall contain the signatures of the principal's designee, and the school treasurer." Two (2) checks contained only the school treasurer's signature. I recommend checks have two signatures before they are distributed.

Management's Response:

The school will be more careful in making sure both signatures are on every check.

JUNCTION CITY ELEMENTARY

NO COMMENTS

WOODLAWN ELEMENTARY

NO COMMENTS

PERRYVILLE ELEMENTARY

2019-005

According to the Redbook, any unused cash shall be returned by close of the next business day after the trip. The excess money that was advanced for the Washington DC trip was returned two months after the trip. The trip was September 19 -21, but the excess money was not returned until November 21. The Principal should remind teachers to turn in unused cash immediately after a trip when an advance was received.

Management's Response:

The Principal reminded teachers at a scheduled staff meeting that all excess money from school trips would be returned to school by the close of the next business day of the school trip.

2019-006

According to the Redbook, "All checks shall contain the signatures of the principal's designee, and the school treasurer." Two (2) checks contained only one signature. I recommend checks have two signatures before they are distributed.

Management's Response:

All checks will be double signed and reviewed prior to distribution.

2019-007

According to the Redbook, "The deposit slip shall note the receipt numbers in the deposit." The deposit slips did not have receipt numbers on them. I recommend the bookkeeper put the receipt numbers on the deposit slips as required by the Redbook.

Management's Response:

The school's bookkeeper will have the expectation of noting the receipt numbers of the deposits reviewed.

2019-008

According to the Redbook, "Amounts may be transferred between activity accounts only by proper completion of a Transfer Form." One (1) out of eleven (11) forms did not have the sponsor signature. Transfer Forms should be completed and properly signed prior to transfer being completed.

Management's Response:

Sponsor signatures shall be included in transfer forms, and the process will be reviewed to assure this practice.