

Campbell County School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2019
With Independent Auditors' Report**

CAMPBELL COUNTY SCHOOL DISTRICT

Year Ended June 30, 2019

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CAMPBELL COUNTY SCHOOL DISTRICT

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Independent Auditors' Report

To the Members of the Board of Education
Campbell County School District
Alexandria, 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 Campbell County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Campbell County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 18 to the financial statements, an error related to amounts recognized as deferred outflows and inflows related to pension and other postemployment retirement benefit liabilities have been corrected. Accordingly, amounts for prior periods were restated and an adjustment has been made to net position as of June 30, 2018 to correct the error. Our opinion is not modified with respect to that matter.

**Independent Auditors' Report
(Continued)**

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 3-9 (unaudited), 54-55, and 61-70 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Campbell County School District's basic financial statements. The combining and individual nonmajor fund financial statements and statement of receipts and disbursements of bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of the Campbell County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Campbell County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Campbell County School District's internal control over financial reporting and compliance.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 12, 2019

CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019

As management of Campbell County Board of Education (Board), the governing body for the Campbell 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 financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

Campbell County Schools continues its commitment to high student academic achievement and preparation for college, career and life. Focus points guiding the District in 2019 include high academic achievement, enhanced building facilities, enhanced and increased technology facilities and school/community relations. These objectives served as the catalyst for many initiatives and projects throughout the year as the District strived to improve in several areas. Financial support came from several sources including General Funds and federal and state grants. Overall the District experienced a successful financial year being able to support the improvement initiatives and maintain a quality level of district operations.

- The District's governmental funds are accounted for using the modified accrual basis of accounting. In 2019, all governmental funds had total revenues and other financing sources of \$66.8 million and total expenditures and other financing uses of \$65.9 million. The ending balance for the General Fund increased from \$11.4 million at the end of 2018 to \$11.8 million at the end of 2019. This increase was primarily due to General Fund revenues exceeding expenditures by approximately \$460,000. The Construction Fund balance increased by approximately \$576,000. This increase is attributable to funds dedicated to building a new Elementary School in the south end of the district. The District Activity, Capital Outlay, and Building Funds had a net decrease in current year revenues over expenditures of approximately \$177,000.
- Our primary financial concern continues to be state funding which has not kept up with the increases in operating expenses due to inflation, increased salaries - some of which are a direct result of mandates by the state, and an increasing portion of the retirement shortfall that we have been asked to fund. After many years of not making the necessary contributions to fully fund the Kentucky Teachers' Retirement System (TRS), the legislature passed along a portion of the funding shortfall to employees and a larger portion to school districts. As a result, our district has paid hundreds of thousands of dollars into the retirement system over the past five years and will pay millions of dollars in the future in an effort to help stabilize the fund. We are also being required to record the portion of the unfunded state liability in our financial statements attributable to our employees, as determined by TRS. While it remains to be seen if districts, including our own, will end up shouldering more of this deficit over the years to come, if the state does not start responsibly funding the system it can be safely assumed that we will. This will continue to shift more of the responsibility for funding our education system onto the backs of school districts and subsequently local taxpayers. The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. In this climate of shrinking state support the Campbell County School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019 (Continued)

FINANCIAL HIGHLIGHTS (CONTINUED)

- Compared to the prior year, the 2018-19 expenses for salaries increased approximately 2.6%. In addition to the annual STEP increase employees receive based on another year of experience, the board approved a 1.5% increase across the board to the base salary schedules for both certified and classified employees. As there were no considerable changes to the number of employees and/or positions from 2017-18 to 2018-19, this increase is reasonable and was budgeted for in the current year.
- During 2019, the Board approved the purchase of 85 acres of land in the southern portion of the district. The land is intended to be used to construct a new elementary school which is part of the CCS District Facility Plan. No other major construction projects occurred in 2019.
- **Federal Funding.** The District is awarded several federal grants each year for the purpose of enhancing and supplementing educational activities in many areas. The grants also provide additional resources to serve some specified student populations. The District was awarded approximately \$3.6 million in educational federal grant awards in 2019. This was an increase to that received in 2018. These funds are very instrumental in improving and advancing instruction quality, curriculum, technology and ultimately student assessment performance.

The District has increased efforts to apply for competitive grants. The following competitive grants were awarded during the 2018-19 school year:

- U.S. Department of Justice, NIJ Grant, \$1.2 million
 - 21st Century Community Learning Centers Grant, \$300,000
 - Stewart B McKinney Homeless Grant \$80,000
- **State Funding.** The District's state funding, representing approximately 33% of General Fund receipts (net of on- behalf payments), is highly dependent on the receipt and budgeting of the revenues of the Commonwealth of Kentucky. Unfortunately, the state continues to experience significant budgetary problems related to the current pension crisis as well as other issues. Thus state SEEK and education grant funding have become very vulnerable to reductions in this environment.

The most significant factor in determining the amount of state funds that the District receives is the Support Excellence in Kentucky Education (SEEK) base per average daily student attendance (ADA). The 2018-19 SEEK base was \$4,000 per ADA, which is the same as the prior year. However total 2019 SEEK funds increased by approximately \$137,000 over 2018 as a result of the State's increased funding of transportation. SEEK tentative projections for 2019/2020 indicate a decrease of approximately \$278,000.

CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019 (Continued)

FINANCIAL HIGHLIGHTS (CONTINUED)

The district continues to apply for competitive state grants. The following grants were awarded during the 2018-19 school year:

- Preschool Partnership Grant, Tier 2, \$148,500
- Read to Achieve Grant, \$94,400 (administered through the State)
- Math Achievement Grant, \$48,400
- Instructional Transformation Grant, \$50,000

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The district-wide financial statements can be found on pages 10 and 11 of this report.

CAMPBELL COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

The basic governmental fund financial statements can be found on pages 12 through 19 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 20 through 50 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 and deferred outflows exceeded liabilities and deferred inflows by \$4,141,271 as of June 30, 2019.

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

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

Net Position for the Periods Ending June 30, 2019 and 2018

The following is a summary of net position for the fiscal years ended June 30, 2019 and 2018.

CAMPBELL COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	<u>2019</u>	<u>2018</u>
Current assets	\$ 14,874,432	\$ 14,258,465
Noncurrent assets	<u>68,434,393</u>	<u>70,471,936</u>
Total assets	<u>83,308,825</u>	<u>84,730,401</u>
Deferred outflows	<u>8,062,722</u>	<u>9,568,443</u>
Current liabilities	5,669,632	6,026,456
Noncurrent liabilities	<u>78,354,694</u>	<u>82,341,296</u>
Total liabilities	<u>84,024,326</u>	<u>88,367,752</u>
Deferred inflows	<u>3,205,950</u>	<u>2,156,018</u>
Net position		
Investment in capital assets (net of debt)	23,673,906	22,279,663
Restricted	(28,689,968)	(27,504,790)
Unrestricted	<u>9,157,333</u>	<u>9,000,201</u>
Total net position	<u>\$ 4,141,271</u>	<u>\$ 3,775,074</u>

Comments on General Fund Budget Comparisons

- **On-Behalf Payments and Budget Variances.** As part of GASB 34, the District's financial statements show payments made by the Commonwealth of Kentucky that benefited the students or the employees of the District. For the General Fund, these include amounts paid by the state for teacher retirement, health insurance, flexible-spending health benefit contributions, life insurance, and expenses related to the education of District students at state-operated schools. For the audited financial reports, such on-half payments were added to the District's related revenue and expense line items for the General Fund. (See Note 14 – On-Behalf Payments for Fringe Benefits, of the accompanying Financial Statements for the year ended June 30, 2019.)

It is notable that on-behalf payments represent state obligations that are not District obligations. Therefore, they have not been included as part of the budgeting process for the General Fund. As a result, the variances between amounts budgeted for the General Fund and the actual results (see Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund on page 53 of the accompanying financial statements) may be skewed by on-behalf payments.

CAMPBELL COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	\$ 1,506,549	\$ 1,481,053
Operating grants	7,190,862	7,033,325
Capital grants	1,587,398	1,607,083
Total grant revenues	<u>10,284,809</u>	<u>10,121,461</u>
General Revenues		
Taxes	27,856,803	26,604,040
Grants and entitlements	8,230,331	31,086,017
Earnings on investments	281,370	139,928
Loss on sale of capital assets	7,973	(7,820)
Miscellaneous	<u>(801,930)</u>	<u>7,369,646</u>
Total general revenues	<u>35,574,547</u>	<u>65,191,811</u>
Total revenues	<u>45,859,356</u>	<u>75,313,272</u>
Expenses		
Instructional	15,091,815	43,460,842
Student support services	4,275,586	4,032,082
Staff support	3,511,929	3,466,845
District administration	1,489,211	1,372,454
School administration	2,930,332	2,800,622
Business support	1,718,922	1,611,458
Plant operations	6,825,553	6,304,899
Student transportation	4,942,064	4,862,011
Food service operation	2,534,274	2,327,215
Facilities acquisition and construction	188,912	48,859
Community service	501,289	436,013
Interest on long-term debt	1,483,272	1,556,298
Total expenses	<u>45,493,159</u>	<u>72,279,598</u>
Change in net position	<u>\$ 366,197</u>	<u>\$ 3,033,674</u>

CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019 (Continued)

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year but are nevertheless reflected in the overall budget. A tentative budget is adopted by the District by the end of May for the subsequent year. A working budget is adopted by the end of September for each fiscal year following the determination of the enrollment at the beginning of the new school year, the tax assessments and rates that will be used to determine the property tax revenues, and the salaries for new employees/positions.

The most significant budgeted fund is the General Fund. The working budget mirrors the tentative budget that was presented in May. The tentative Budget was \$44.4 million and the working budget was \$47.5 million. By law, the budget for the General Fund must have a minimum 2% contingency based on budgeted expenses for all funds. For 2018-19 our budgeted contingency was 14.0% more than required by law.

ACADEMIC ACHIEVEMENT HIGHLIGHTS

- Campbell County is a high performing district in Kentucky, consistently performing in the top 10 percent of public schools across the state.
- 2018 U.S. News and World Report Silver medalist, ranking 12th in the state of Kentucky
- Graduation Rate of 97.5
- Transition Readiness Rate of 79.2
- District 2018-2019 Junior ACT District composite placed Campbell County as the 9th highest District in the state.
- ACT Composite Rate of 21.0
- CCHS, CCMS, Cline, Crossroads, Campbell Ridge, Reiley and Grant's Lick have received RAMP certification which is a National Ranking for Counseling programs
- Total Amount of Scholarship Money Awarded to the Class of 2019 - \$,3,000,000.00

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the funds it receives. Questions or comments about this report should be directed to Dr. David Rust, Superintendent, or Ms. Tracey Jolly, Finance Director, by telephone at 859-635-2173 or by mail to the Central Office, 101 Orchard Lane, Alexandria, KY 41001.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Net Position – District Wide
As of June 30, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 12,567,578	\$ 178,319	\$ 12,745,897
Accounts receivable	2,105,812	-	2,105,812
Inventories for consumption	-	22,723	22,723
Total current	<u>14,673,390</u>	<u>201,042</u>	<u>14,874,432</u>
Noncurrent:			
Construction in process	31,120	-	31,120
Land	5,090,767	-	5,090,767
Depreciated capital assets:			
Land improvements	6,451,023	-	6,451,023
Buildings and improvements	89,309,065	4,340,837	93,649,902
Furniture and equipment	12,943,207	1,464,497	14,407,704
Less: accumulated depreciation	<u>(47,927,175)</u>	<u>(3,268,948)</u>	<u>(51,196,123)</u>
Total noncurrent	<u>65,898,007</u>	<u>2,536,386</u>	<u>68,434,393</u>
Total assets	<u>80,571,397</u>	<u>2,737,428</u>	<u>83,308,825</u>
Deferred outflows	<u>7,878,195</u>	<u>184,527</u>	<u>8,062,722</u>
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	3,490,000	-	3,490,000
Accounts payable	1,147,503	15,698	1,163,201
Accrued interest	595,881	-	595,881
Accrued sick leave	35,598	-	35,598
Unearned revenues	<u>384,952</u>	<u>-</u>	<u>384,952</u>
Total current	<u>5,653,934</u>	<u>15,698</u>	<u>5,669,632</u>
Noncurrent:			
Accrued sick leave	320,379	-	320,379
CERS net pension liability	18,123,970	462,970	18,586,940
MIF net OPEB liability	17,085,921	436,454	17,522,375
Bond obligations	<u>41,925,000</u>	<u>-</u>	<u>41,925,000</u>
Total noncurrent	<u>77,455,270</u>	<u>899,424</u>	<u>78,354,694</u>
Total liabilities	<u>83,109,204</u>	<u>915,122</u>	<u>84,024,326</u>
Deferred inflows	<u>3,126,095</u>	<u>79,855</u>	<u>3,205,950</u>
Net Position			
Invested in capital assets, net of related debt	21,137,520	2,536,386	23,673,906
Restricted	(28,080,560)	(609,408)	(28,689,968)
Unrestricted	<u>9,157,333</u>	<u>-</u>	<u>9,157,333</u>
Total net position	<u>\$ 2,214,293</u>	<u>\$ 1,926,978</u>	<u>\$ 4,141,271</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Activities – District Wide
As of June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
Instructional	\$ 15,091,815	\$ 255,644	\$ 2,779,696	\$ -	\$ (12,056,475)	\$ -	\$ (12,056,475)
Student support services	4,275,586	-	1,540,341	-	(2,735,245)	-	(2,735,245)
Staff support services	3,511,929	-	697,063	-	(2,814,866)	-	(2,814,866)
District administration	1,489,211	-	-	-	(1,489,211)	-	(1,489,211)
School administration	2,930,332	-	-	-	(2,930,332)	-	(2,930,332)
Business support services	1,718,922	-	-	-	(1,718,922)	-	(1,718,922)
Plant operation and maintenance	6,825,553	-	74,453	-	(6,751,100)	-	(6,751,100)
Student transportation	4,942,064	491,967	11,801	-	(4,438,296)	-	(4,438,296)
Food service operation	-	-	-	-	-	-	-
Other instruction	1,065	-	-	-	(1,065)	-	(1,065)
Community service operations	501,289	-	333,047	-	(168,242)	-	(168,242)
Contract services	6,900	-	-	-	(6,900)	-	(6,900)
Facility acquisition and construction	182,012	-	-	-	(182,012)	-	(182,012)
Interest on long-term debt	1,483,272	-	-	1,587,398	104,126	-	104,126
Total governmental activities	42,959,950	747,611	5,436,401	1,587,398	(35,188,540)	-	(35,188,540)
Business-type Activities:							
Food service	2,533,209	758,938	1,754,461	-	-	(19,810)	(19,810)
Total business-type activities	2,533,209	758,938	1,754,461	-	-	(19,810)	(19,810)
Total school district	\$ 45,493,159	\$ 1,506,549	\$ 7,190,862	\$ 1,587,398	(35,188,540)	(19,810)	(35,208,350)
General revenues:							
Taxes					27,856,803	-	27,856,803
State and federal sources					8,230,331	-	8,230,331
Investment earnings					274,831	6,539	281,370
Miscellaneous					(801,930)	-	(801,930)
Special items:							
Gain (loss) on disposal of fixed as					7,973	-	7,973
Fund transfer					129,586	(129,586)	-
Total general and business revenues					35,697,594	(123,047)	35,574,547
Change in net position					509,054	(142,857)	366,197
Net position - beginning					4,013,396	2,128,776	6,142,172
Net position adjustment (Note 18)					(2,308,157)	(58,941)	(2,367,098)
Net position - ending					\$ 2,214,293	\$ 1,926,978	\$ 4,141,271

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current:				
Cash (overdraft) and cash equivalents	\$ 11,614,390	\$ (254,766)	\$ 1,207,954	\$ 12,567,578
Accounts receivable	<u>1,325,611</u>	<u>780,201</u>	<u>-</u>	<u>2,105,812</u>
Total current	<u>\$ 12,940,001</u>	<u>\$ 525,435</u>	<u>\$ 1,207,954</u>	<u>\$ 14,673,390</u>
Liabilities and Fund Balances				
Liabilities				
Current:				
Accounts payable	\$ 1,005,357	\$ 140,483	\$ 1,663	\$ 1,147,503
Unearned revenue	-	384,952	-	384,952
Current portion of accumulated sick leave	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total liabilities	<u>1,105,357</u>	<u>525,435</u>	<u>1,663</u>	<u>1,632,455</u>
Fund Balances				
Restricted:				
Capital projects	-	-	1,084,267	1,084,267
Committed:				
Sick leave	168,257	-	-	168,257
Other	400,000	-	111,574	511,574
Assigned	1,157,196	-	10,450	1,167,646
Unassigned	<u>10,109,191</u>	<u>-</u>	<u>-</u>	<u>10,109,191</u>
Total fund balances	<u>11,834,644</u>	<u>-</u>	<u>1,206,291</u>	<u>13,040,935</u>
Total liabilities and fund balances	<u>\$ 12,940,001</u>	<u>\$ 525,435</u>	<u>\$ 1,207,954</u>	<u>\$ 14,673,390</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2019**

Total governmental fund balance		\$ 13,040,935
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	113,825,182	
Accumulated depreciation	<u>(47,927,175)</u>	65,898,007
Deferred outflows		
CERS contributions made after the measurement date	1,558,801	
MIF contributions made after the measurement date	952,599	
Related to CERS	3,347,027	
Related to MIF	1,365,255	
Bond refinancing	<u>654,513</u>	7,878,195
Deferred inflows related to CERS	(1,413,351)	
Deferred inflows related to MIF	<u>(1,712,744)</u>	(3,126,095)
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable		(45,415,000)
Accrued interest on bonds		(595,881)
Net pension liability		(18,123,970)
Net OPEB liability		(17,085,921)
Additional accrued sick leave (district wide sick leave of \$355,977 less \$100,000 sick leave presented on General Fund balance sheet)		<u>(255,977)</u>
Total net position - governmental		<u><u>\$ 2,214,293</u></u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2019**

	General Fund	Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 23,942,909	\$ -	\$ 3,913,894	\$ 27,856,803
Earnings on investments	274,831	-	-	274,831
State sources	25,068,687	1,790,101	1,587,398	28,446,186
Federal sources	336,801	3,633,986	-	3,970,787
Other sources	<u>1,172,838</u>	<u>12,314</u>	<u>238,636</u>	<u>1,423,788</u>
Total revenues	<u>50,796,066</u>	<u>5,436,401</u>	<u>5,739,928</u>	<u>61,972,395</u>
Expenditures				
Instructional	29,080,671	2,776,455	258,596	32,115,722
Student support services	2,735,245	1,540,341	-	4,275,586
Staff support services	1,895,067	697,063	1,165	2,593,295
District administration	1,381,095	-	-	1,381,095
School administration	2,930,332	-	-	2,930,332
Business support services	1,707,426	-	-	1,707,426
Plant operation and maintenance	5,212,818	74,453	4,593	5,291,864
Student transportation	5,219,012	11,801	-	5,230,813
Food service operation	-	-	-	-
Other instruction	1,065	-	-	1,065
Community service operations	168,242	333,047	-	501,289
Contract services	-	-	6,900	6,900
Facility acquisition and construction	402	-	181,610	182,012
Debt service:				
Principal	73,788	-	3,451,500	3,525,288
Interest	<u>7,754</u>	<u>-</u>	<u>1,505,095</u>	<u>1,512,849</u>
Total expenditures	<u>50,412,917</u>	<u>5,433,160</u>	<u>5,409,459</u>	<u>61,255,536</u>
Excess (deficit) of revenues over expenditures	<u>383,149</u>	<u>3,241</u>	<u>330,469</u>	<u>716,859</u>
Other financing sources (uses)				
Proceeds from sale of assets	9,561	-	-	9,561
Operating transfers in	158,394	93,488	4,578,878	4,830,760
Operating transfers out	<u>(93,488)</u>	<u>(96,729)</u>	<u>(4,510,957)</u>	<u>(4,701,174)</u>
Total other financing sources	<u>74,467</u>	<u>(3,241)</u>	<u>67,921</u>	<u>139,147</u>
Net change in fund balance	457,616	-	398,390	856,006
Fund balance, July 1, 2018	<u>11,377,028</u>	<u>-</u>	<u>807,901</u>	<u>12,184,929</u>
Fund balance, June 30, 2019	<u>\$ 11,834,644</u>	<u>\$ -</u>	<u>\$ 1,206,291</u>	<u>\$ 13,040,935</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019**

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

Net changes-governmental funds		\$ 856,006
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(3,119,031)	
Capital outlays	1,221,403	
Retirement of capital assets	<u>(1,588)</u>	(1,899,216)
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Bond principal paid		3,525,288
Deferred outflow from bond refinancing		(93,502)
Deferred outflows related to pensions		(1,457,801)
Deferred outflows related to other post-employment retirement benefits		85,509
Deferred inflows related to pensions		218,044
Deferred inflows related to other post-employment retirement benefits		(1,242,900)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
		<u>517,626</u>
Changes in net position of governmental activities		<u>\$ 509,054</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Net Position – Proprietary Fund
As of June 30, 2019**

	<u>Food Service</u>	<u>Total</u>
Assets		
Current		
Cash and cash equivalents	\$ 178,319	\$ 178,319
Inventories for consumption	<u>22,723</u>	<u>22,723</u>
Total current	<u>201,042</u>	<u>201,042</u>
Noncurrent		
Furniture and Fixtures	5,805,334	5,805,334
Less: accumulated depreciation	<u>(3,268,948)</u>	<u>(3,268,948)</u>
Total noncurrent	<u>2,536,386</u>	<u>2,536,386</u>
Total assets	<u>2,737,428</u>	<u>2,737,428</u>
Deferred outflows	<u>184,527</u>	<u>184,527</u>
Liabilities		
Current		
Accounts payable	<u>15,698</u>	<u>15,698</u>
Total current	<u>15,698</u>	<u>15,698</u>
Noncurrent		
MIF net OPEB liability	436,454	436,454
CERS net pension liability	<u>462,970</u>	<u>462,970</u>
Total noncurrent	<u>899,424</u>	<u>899,424</u>
Total liabilities	<u>915,122</u>	<u>915,122</u>
Deferred inflows	<u>79,855</u>	<u>79,855</u>
Net Position		
Invested in assets, net of debt	2,536,386	2,536,386
Restricted	<u>(609,408)</u>	<u>(609,408)</u>
Total net position	<u>\$ 1,926,978</u>	<u>\$ 1,926,978</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Fund
Year Ended June 30, 2019**

	<u>Food Service</u>	<u>Total</u>
Operating revenues		
Lunchroom sales	\$ 758,938	\$ 758,938
Other operating revenues	-	-
	<u>758,938</u>	<u>758,938</u>
Operating expenses		
Salaries and benefits	1,151,611	1,151,611
Contract services	61,600	61,600
Materials and supplies	1,174,696	1,174,696
Depreciation	138,327	138,327
Other operating expenses	<u>6,975</u>	<u>6,975</u>
	<u>2,533,209</u>	<u>2,533,209</u>
	<u>(1,774,271)</u>	<u>(1,774,271)</u>
Nonoperating revenues (expenses)		
Federal grants	1,443,143	1,443,143
State grants	162,563	162,563
Donated commodities and other donations	148,755	148,755
Transfers	(129,586)	(129,586)
Interest income	<u>6,539</u>	<u>6,539</u>
	<u>1,631,414</u>	<u>1,631,414</u>
Change in net position	(142,857)	(142,857)
Total net position, July 1, 2018	<u>2,128,776</u>	<u>2,128,776</u>
Net position adjustment (Note 18)	<u>(58,941)</u>	<u>(58,941)</u>
Total net position, June 30, 2019	<u>\$ 1,926,978</u>	<u>\$ 1,926,978</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2019**

	<u>Food Service Fund</u>	<u>Total</u>
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 758,938	\$ 758,938
Cash payments to employees for services	(1,171,935)	(1,171,935)
Cash payments to suppliers for goods and services	(1,164,172)	(1,164,172)
Net cash used in operating activities	<u>(1,577,169)</u>	<u>(1,577,169)</u>
Cash flows from capital financing activities		
Transfers	<u>(129,586)</u>	<u>(129,586)</u>
Net cash used in capital financing activities	<u>(129,586)</u>	<u>(129,586)</u>
Cash flows from noncapital financing activities		
Non-operating revenues received	<u>1,754,461</u>	<u>1,754,461</u>
Net cash provided by noncapital financing activities	<u>1,754,461</u>	<u>1,754,461</u>
Cash flows from investing activities		
Interest on investments	<u>6,539</u>	<u>6,539</u>
Net cash flows provided by investing activities	<u>6,539</u>	<u>6,539</u>
Net increase in cash and cash equivalents	54,245	54,245
Cash and cash equivalents - beginning	<u>124,074</u>	<u>124,074</u>
Cash and cash equivalents - ending	<u>\$ 178,319</u>	<u>\$ 178,319</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (1,774,271)	\$ (1,774,271)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	138,327	138,327
Changes in assets and liabilities:		
Increase in deferred outflows	39,928	39,928
Increase in deferred inflows	25,076	25,076
Increase in accounts payable	11,018	11,018
Increase in CERS net pension liability	6,822	6,822
Decrease in MIF net OPEB liability	(30,550)	(30,550)
Decrease in inventories	6,481	6,481
Net cash used in operating activities	<u>\$ (1,577,169)</u>	<u>\$ (1,577,169)</u>
Schedule of non-cash transactions		
Donated commodities received from federal government	<u>\$ 148,755</u>	<u>\$ 148,755</u>
On behalf payments	<u>\$ 142,813</u>	<u>\$ 142,813</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Net Position – Fiduciary Fund
As of June 30, 2019**

	School Activity Funds	Total
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 387,121	\$ 387,121
	<u> </u>	<u> </u>
Total assets	<u>\$ 387,121</u>	<u>\$ 387,121</u>
Liabilities		
Due to student groups	\$ 387,121	\$ 387,121
	<u> </u>	<u> </u>
Total liabilities	<u>\$ 387,121</u>	<u>\$ 387,121</u>

CAMPBELL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 72. This is a major fund of the District.
- (C) Special Revenue Activity Fund is used to support co-curricular activities and are not raised and expended by student groups. District activity funds accounted for in the District bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all District expenditures.

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (cont'd)

(D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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

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

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

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

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

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes

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

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Inventories

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

Capital Assets

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

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

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

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

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

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

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

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

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

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

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

Net Position

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

Operating Revenues and Expenses

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

NOTE 2 ESTIMATES

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

NOTE 3 CASH AND CASH EQUIVALENTS

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 4 CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Land	\$ 5,090,767	\$ -	\$ -	\$ 5,090,767
Land improvements	6,315,709	135,314	-	6,451,023
Construction in progress	7,432,324	31,120	7,432,324	31,120
Buildings and improvements	81,754,797	7,554,268	-	89,309,065
Technology equipment	2,033,766	28,122	3,168	2,058,720
Vehicles	6,289,772	755,177	271,991	6,772,958
General equipment	3,970,574	149,726	8,771	4,111,529
Totals at historical cost	112,887,709	8,653,727	7,716,254	113,825,182
Less: accumulated depreciation				
Land improvements	3,379,235	226,372	-	3,605,607
Buildings and improvements	33,861,897	1,893,990	-	35,755,887
Technology equipment	911,789	298,071	3,168	1,206,692
Vehicles	4,331,904	449,696	271,991	4,509,609
General equipment	2,605,661	250,902	7,183	2,849,380
Total accumulated depreciation	45,090,486	3,119,031	282,342	47,927,175
Governmental activities capital assets - net	\$ 67,797,223	\$ 5,534,696	\$ 7,433,912	\$ 65,898,007
<u>Business - Type Activities</u>				
General equipment	\$ 1,464,497	\$ -	\$ -	\$ 1,464,497
Buildings and improvements	4,340,837	-	-	4,340,837
Totals at historical cost	5,805,334	-	-	5,805,334
Less: accumulated depreciation				
General equipment	1,347,759	45,871	-	1,393,630
Buildings and improvements	1,782,862	92,456	-	1,875,318
Total accumulated depreciation	3,130,621	138,327	-	3,268,948
Business - type activities capital assets - net	\$ 2,674,713	\$ (138,327)	\$ -	\$ 2,536,386

Depreciation expense by function for the fiscal year ended June 30, 2019 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 80,668	\$ -
Staff support services	918,634	-
District administration	108,116	-
Business support services	11,496	138,327
Plant operation and maintenance	1,533,689	-
Student transportation	466,428	-
Total	\$ 3,119,031	\$ 138,327

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2019 this amount totaled approximately \$355,977 for those employees with twenty-seven or more years of experience.

NOTE 6 LEASE OBLIGATIONS AND BONDED DEBT

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

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
January 1, 2009	355,025	3.100% - 3.900%
January 1, 2009	237,430	2.300% - 3.250%
October 1, 2010	595,000	2.000% - 2.700%
August 1, 2011	17,200,000	2.000% - 4.375%
July 1, 2012	1,250,000	2.000% - 3.600%
August 1, 2012	11,975,000	2.000% - 2.625%
February 1, 2013	5,495,000	0.900%
February 1, 2014	415,000	2.000% - 3.000%
December 1, 2014	18,270,000	0.300% - 2.500%
September 1, 2016	6,175,000	1.000% - 3.000%

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

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 15 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2019 for debt service (principal and interest) are reported in Note 15.

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 7 COMMITMENTS UNDER NONCAPITALIZED LEASES

The district has operating leases for copiers at various rates expiring in 2020 to 2024. Expenditures for the equipment under these operating leases totaled \$169,524 for the year ended June 30, 2019.

Future minimum rental payments under the leases are as follows:

Year Ending June 30,	
2020	\$ 205,926
2021	205,926
2022	68,566
2023	39,504
2024	39,504
	<u>\$ 559,426</u>

NOTE 8 CONTINGENCIES

Grant Fund Approval

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

NOTE 9 INSURANCE AND RELATED ACTIVITIES

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

NOTE 10 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 errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 10 RISK MANAGEMENT (CONTINUED)

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. 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 11 DEFICIT OPERATING/FUND BALANCES

There are no funds in the District that have a deficit fund balance. Additionally, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Food Service Fund	\$ 142,857
Building Fund	156,418
Grant's Lick Elementary	3,503
John W. Reily Elementary	3,937
Crossroads Elementary	1,897
Campbell County High School	36,392
District Activity Fund	25,718

NOTE 12 COBRA

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

NOTE 13 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	Matching	\$ 93,488
Food Service	General Fund	Indirect Cost	129,586
Capital Outlay Fund	Construction Fund	Construction	266,817
Building Fund	Debt Service Fund	Debt Service	3,746,452
Building Fund	Construction Fund	Construction	167,442
Special Revenue Fund	Debt Service Fund	Debt Service	67,921
Special Revenue Fund	General Fund	Indirect Cost	28,808

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 14 ON-BEHALF PAYMENTS

For the year ended June 30, 2019 total payments of \$13,542,059 were made for life insurance, health insurance, TRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 12,257,024
Debt Service	1,142,222
Food Service	<u>142,813</u>
Total On-Behalf	<u><u>\$ 13,542,059</u></u>

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 15 SCHEDULE OF LONG-TERM OBLIGATIONS

Fiscal Year	Campbell County School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2019-2020	\$ 2,760,135	\$ 1,112,175	\$ 3,872,310	\$ 729,865	\$ 315,448	\$ 1,045,313	\$ 4,917,623
2020-2021	2,838,936	1,038,205	3,877,141	751,064	296,031	1,047,095	4,924,236
2021-2022	2,912,343	961,336	3,873,679	772,657	275,441	1,048,098	4,921,777
2022-2023	2,994,258	880,793	3,875,051	790,742	253,500	1,044,242	4,919,293
2023-2024	3,078,274	796,011	3,874,285	816,726	229,830	1,046,556	4,920,841
2024-2025	3,160,950	684,096	3,845,046	639,050	204,158	843,208	4,688,254
2025-2026	3,259,682	581,549	3,841,231	660,318	182,889	843,207	4,684,438
2026-2027	3,355,685	475,714	3,831,399	659,315	161,139	820,454	4,651,853
2027-2028	1,771,628	388,255	2,159,883	623,372	139,330	762,702	2,922,585
2028-2029	1,844,155	318,437	2,162,592	645,845	116,857	762,702	2,925,294
2029-2030	1,916,857	243,660	2,160,517	673,143	92,904	766,047	2,926,564
2030-2031	1,997,943	163,605	2,161,548	702,057	67,286	769,343	2,930,891
2031-2032	2,078,192	79,018	2,157,210	621,808	42,611	664,419	2,821,629
2032-2033	209,831	33,211	243,042	265,169	27,496	292,665	535,707
2033-2034	213,659	27,650	241,309	206,341	20,987	227,328	468,637
2034-2035	221,891	21,662	243,553	213,109	15,220	228,329	471,882
2035-2036	309,656	13,966	323,622	220,344	8,984	229,328	552,950
2036-2037	310,698	4,660	315,358	189,302	2,843	192,145	507,503
	<u>\$ 35,234,773</u>	<u>\$ 7,824,003</u>	<u>\$ 43,058,776</u>	<u>\$ 10,180,227</u>	<u>\$ 2,452,954</u>	<u>\$ 12,633,181</u>	<u>\$ 55,691,957</u>

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 15 SCHEDULE OF LONG-TERM OBLIGATIONS (CONTINUED)

A summary of the changes in the principal of the outstanding bond obligations and the accrued sick leave for the District during the year ended June 30, 2019 is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Bond Obligations	\$ 48,940,288	\$ -	\$ 3,525,288	\$ 45,415,000
Accrued Sick Leave	\$ 507,723	\$ -	\$ 151,746	\$ 355,977

NOTE 16 RETIREMENT PLANS

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

General information about the County Employees Retirement System Non-Hazardous

Plan description

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

Benefits provided

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 16 RETIREMENT PLANS (CONTINUED)

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

Contributions

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

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

The contribution requirement for CERS for the year ended June 30, 2019, was \$2,011,244, which consisted of \$1,598,620 from the District and \$412,624 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were \$1,865,631 and \$1,838,263, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

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

Plan description

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 16 RETIREMENT PLANS (CONTINUED)

Benefits provided

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

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

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

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2019, was \$3,903,908, which consisted of \$910,498 from the District and \$2,993,410 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were \$3,773,971 and \$3,667,418, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 16 RETIREMENT PLANS (CONTINUED)

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

Medical Insurance Plan

Plan description

In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund (MIF) 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 employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding policy

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

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 16 RETIREMENT PLANS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 18,586,940
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	88,993,460
	\$ 107,580,400

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District's proportion was 0.305189% percent.

For the year ended June 30, 2019, the District recognized pension expense of \$342,196 related to CERS and pension expense of \$17,199,943 related to TRS. The District also recognized revenue of \$17,199,943 for TRS support provided by the Commonwealth. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual performance	\$ 606,254	\$ 272,074
Net difference between projected and actual earnings on pension plan investments	864,306	1,087,174
Change of Assumptions	1,816,485	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	145,481	90,207
District contributions subsequent to the measurement date	1,598,620	-
Total	\$ 5,031,146	\$ 1,449,455

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 16 RETIREMENT PLANS (CONTINUED)

\$1,598,620 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 1,569,314
2021	746,157
2022	(232,642)
2023	(99,758)
2024	-

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:

	CERS	KTRS
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.5 -7.3%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

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

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward two years for males and one year for females. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 adopted by the Board on November 19, 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 16 RETIREMENT PLANS (CONTINUED)

consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>TRS Target Allocation</u>	<u>TRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	40%	4.20%		
US large cap			5.0%	4.50%
US mid cap			6.0%	4.50%
US small cap			6.5%	5.50%
International developed			12.5%	6.50%
Emerging markets			5.0%	7.25%
International Equity	22%	5.20%		
Global bonds			4.0%	3.00%
Global credit			2.0%	3.75%
Emerging market debt			5.0%	6.00%
Private equity	7%	6.30%	10.0%	6.50%
High yield			7.0%	5.50%
Liquid private			10.0%	8.50%
Fixed income	15%	1.20%		
Additional categories	8%	3.30%	10.0%	7.00%
Real estate	6%	3.80%	5.0%	9.00%
Absolute return			10.0%	5.00%
Cash	2%	0.90%	2.0%	1.50%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 16 RETIREMENT PLANS (CONTINUED)

benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 23,399,033	18,586,940	\$ 14,555,250
KTRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

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

NOTE 17 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

Medical Insurance Plan

Plan description

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

Benefits provided

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

Contributions

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

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

Plan description

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

Benefits provided

CERS provides health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date. See Note 16 for tier classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in Note 16.

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

At June 30, 2019, the Campbell County School District reported a liability of \$17,522,375 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.65 percent for TRS an increase of .04 percent from June 30, 2017, and 0.31 percent for CERS, which was the same as it's proportion measured as of June 30, 2017.

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

District's proportionate share of the CERS net OPEB liability	\$ 5,418,375
District's proportionate share of the TRS net OPEB liability	12,104,000
State's proportionate share of the net OPEB liability associated with the District	<u>10,431,000</u>
	<u><u>\$ 27,953,375</u></u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$814,710 and revenue of \$535,534 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual performance	\$ -	\$ 1,251,440
Net difference between projected and actual earnings on OPEB plan investments	-	422,220
Change of Assumptions	1,248,130	12,519
Changes in proportion and differences between employer contributions and proportionate share of contributions	152,000	70,316
District contributions subsequent to the measurement date	<u>976,933</u>	<u>-</u>
Total	<u><u>\$ 2,377,063</u></u>	<u><u>\$ 1,756,495</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$976,933 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	
2020	\$ (67,506)
2021	(67,506)
2022	(67,506)
2023	26,980
2024	(180,828)

Actuarial assumptions

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

	TRS	CERS
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.	7.50%
Projected salary increases	3.50 - 7.20%, including inflation	4.00%, average
Inflation rate	3.00%	3.25%
Real Wage Growth	0.50%	
Wage Inflation	3.50%	
Healthcare cost trend rates		
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years. Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021	
Medicare Part B Premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030	
Municipal Bond Index Rate	3.89%	3.62%
Discount Rate	8.00%	5.85%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation	

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

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

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

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric 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)	1.0%	0.9%
Total	<u>100.0%</u>	

**Modeled as 50% High Yield and 50% Bank Loans.*

Discount rate

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

For TRS, the discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
TRS			
District's net OPEB liability	\$ 14,193,934	\$ 12,104,000	\$ 10,363,194
	<u>1% Decrease (4.85%)</u>	<u>Current Discount Rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
CERS			
District's net OPEB liability	\$ 7,037,600	\$ 5,418,375	\$ 4,039,091

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

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

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
TRS			
Districts' net OPEB liability	\$ 10,019,437	\$ 12,104,000	\$ 14,364,738
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
Districts' net OPEB liability	\$ 4,747,373	\$ 5,418,375	\$ 8,063,305

OPEB plan fiduciary net position

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

Life Insurance Plan

Plan description

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

Benefits provided

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

Contributions

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

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

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

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		134,000
	\$	134,000

For the year ended June 30, 2018, the District recognized OPEB expense of \$-0- and revenue of \$6,214 for support provided by the State.

Actuarial assumptions

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

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

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

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

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

Asset Class*	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Large Cap Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash (LIBOR)	2.0%	0.9%
Total	<u>100.0%</u>	

** As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return*

Discount rate

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Districts' net OPEB liability	\$ -	\$ -	\$ -

CAMPBELL COUNTY SCHOOL DISTRICT

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

NOTE 17 OPEB PLANS (CONTINUED)

OPEB plan fiduciary net position

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

NOTE 18 CORRECTION OF AN ERROR

During the year ended June 30, 2019, amounts were corrected for deferred outflows and deferred inflows related to the net pension liability and the net OPEB liability that were overstated in prior years. The following shows the effect on the preceding period change in net position for the prior period adjustment as well as cumulative effect on the change in net position as of the beginning of fiscal year 2019.

	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Deferred outflows, as of June 30, 2018	<u>\$ 12,430,736</u>	<u>\$ (2,862,293)</u>	<u>\$ 9,568,443</u>
Deferred inflows, as of June 30, 2018	<u>2,651,213</u>	<u>(495,195)</u>	<u>2,156,018</u>
Cumulative effect of the change on restricted net position as of July 1, 2018	<u>\$ (25,137,692)</u>	<u>\$ (2,367,098)</u>	<u>\$ (27,504,790)</u>

NOTE 19 SUBSEQUENT EVENTS

Subsequent events were considered through November 12, 2019, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

CAMPBELL COUNTY SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2019**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>Total Non-major Government Funds</u>
Assets						
Current:						
Cash and cash equivalents	\$ 178,359	\$ -	\$ 906,908	\$ -	\$ 122,687	\$ 1,207,954
Total current	<u>\$ 178,359</u>	<u>\$ -</u>	<u>\$ 906,908</u>	<u>\$ -</u>	<u>\$ 122,687</u>	<u>\$ 1,207,954</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 1,000	\$ -	\$ 663	\$ 1,663
Total liabilities	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>663</u>	<u>1,663</u>
Fund Balances:						
Restricted:						
Capital projects fund	178,359	-	905,908	-	-	1,084,267
Committed	-	-	-	-	111,574	111,574
Assigned	-	-	-	-	10,450	10,450
Total fund balances	<u>178,359</u>	<u>-</u>	<u>905,908</u>	<u>-</u>	<u>122,024</u>	<u>1,206,291</u>
Total liabilities and fund balances	<u>\$ 178,359</u>	<u>\$ -</u>	<u>\$ 906,908</u>	<u>\$ -</u>	<u>\$ 122,687</u>	<u>\$ 1,207,954</u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
As of June 30, 2019**

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Government Funds
Revenues:						
Taxes	\$ -	\$ 3,913,894	\$ -	\$ -	\$ -	\$ 3,913,894
State sources	445,176	-	-	1,142,222	-	1,587,398
Other sources	-	-	-	-	238,636	238,636
Total revenues	445,176	3,913,894	-	1,142,222	238,636	5,739,928
Expenditures:						
Instructional	-	-	-	-	258,596	258,596
Staff support services	-	-	-	-	1,165	1,165
Plant operation and maintenance	-	-	-	-	4,593	4,593
Contract services	-	-	6,900	-	-	6,900
Facility acquisition and construction	-	-	181,610	-	-	181,610
Debt service:						
Principal	-	-	-	3,451,500	-	3,451,500
Interest	-	-	-	1,505,095	-	1,505,095
Total expenditures	-	-	188,510	4,956,595	264,354	5,409,459
Excess (deficit) of revenues over expenditures	445,176	3,913,894	(188,510)	(3,814,373)	(25,718)	330,469
Other Financing Sources (Uses)						
Operating transfers in	-	-	764,505	3,814,373	-	4,578,878
Operating transfers out	(440,645)	(4,070,312)	-	-	-	(4,510,957)
Total other financing sources(uses)	(440,645)	(4,070,312)	764,505	3,814,373	-	67,921
Net change in fund balance	4,531	(156,418)	575,995	-	(25,718)	398,390
Fund balance, July 1, 2018	173,828	156,418	329,913	-	147,742	807,901
Fund balance, June 30, 2019	\$ 178,359	\$ -	\$ 905,908	\$ -	\$ 122,024	\$ 1,206,291

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 23,147,624	\$ 23,147,624	\$ 23,942,909	\$ 795,285
State sources	12,374,340	12,743,925	25,068,687	12,324,762
Federal sources	220,000	220,000	336,801	116,801
Other sources	991,875	1,021,876	1,615,624	593,748
Total revenues	36,733,839	37,133,425	50,964,021	13,830,596
Expenditures				
Instructional	20,622,432	20,677,348	29,080,671	(8,403,323)
Student support services	1,997,439	1,997,439	2,735,245	(737,806)
Staff support services	1,506,742	1,506,742	1,895,067	(388,325)
District administration	1,415,172	1,415,172	1,381,095	34,077
School administration	2,075,864	2,075,864	2,930,332	(854,468)
Business support services	1,493,009	1,493,009	1,707,426	(214,417)
Plant operation and maintenance	5,890,440	5,890,440	5,212,818	677,622
Student transportation	5,561,153	5,561,154	5,219,012	342,142
Food service operation	200	200	-	200
Community service operations	137,421	137,421	169,307	(31,886)
Facility acquisition and construction			402	(402)
Debt service	83,105	83,105	81,542	1,563
Other	6,759,637	7,104,306	93,488	7,010,818
Total expenditures	47,542,614	47,942,200	50,506,405	(2,564,205)
Net change in fund balance	(10,808,775)	(10,808,775)	457,616	11,266,391
Fund balance, July 1, 2018	10,808,775	10,808,775	11,377,028	568,253
Fund balance, June 30, 2019	\$ -	\$ -	\$ 11,834,644	\$ 11,834,644

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
State sources	\$ 1,563,970	\$ 1,691,278	\$ 1,790,101	\$ 98,823
Federal sources	3,617,530	2,400,627	3,633,986	1,233,359
Other sources	96,569	104,169	105,802	1,633
	<u>5,278,069</u>	<u>4,196,074</u>	<u>5,529,889</u>	<u>1,333,815</u>
Expenditures				
Instructional	2,648,611	2,790,024	2,776,455	13,569
Student support services	1,635,691	497,257	1,540,341	(1,043,084)
Staff support services	420,065	380,490	697,063	(316,573)
Plant operation and maintenance	104,854	104,854	74,453	30,401
Student transportation	21,588	21,588	11,801	9,787
Other instructional	79,234	7,000	-	7,000
Community service operations	280,610	326,460	333,047	(6,587)
Other	87,416	68,401	96,729	(28,328)
	<u>5,278,069</u>	<u>4,196,074</u>	<u>5,529,889</u>	<u>(1,333,815)</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2019	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2019**

	<u>Issue of 2009 KISTA</u>	<u>Issue of 2009 REF - KISTA</u>	<u>Issue of 2010 - REF</u>	<u>Issue of 2011</u>	<u>Issue of 2012</u>	<u>Issue of 2012 - REF</u>
Cash at July 1, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	35,105	26,932	65,878	940,587	84,663	1,411,633
Disbursements:						
Bonds paid	33,787	26,501	65,000	315,000	55,000	1,220,000
Interest coupons	1,318	431	878	625,587	29,663	191,633
Transfers and miscellaneous	-	-	-	-	-	-
Call fee	-	-	-	-	-	-
Total disbursements	35,105	26,932	65,878	940,587	84,663	1,411,633
Excess of receipts over disbursements	-	-	-	-	-	-
Cash at June 30, 2019	-	-	-	-	-	-
Accounts Receivable and Payable						
Matured interest and bonds outstanding	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-
Fund Balance at June 30, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Issue of 2013 - REF</u>	<u>Issue of 2014</u>	<u>Issue of 2014B</u>	<u>Issue of 2016</u>	<u>Total</u>
Cash at July 1, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Transfers and miscellaneous deposits	867,740	46,438	1,207,725	351,438	5,038,139
Disbursements:					
Bonds paid	860,000	40,000	705,000	205,000	3,525,288
Interest coupons	7,740	6,438	502,725	146,438	1,512,851
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	867,740	46,438	1,207,725	351,438	5,038,139
Excess of receipts over disbursements	-	-	-	-	-
Cash at June 30, 2019	-	-	-	-	-
Accounts Receivable and Payable					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
Fund Balance at June 30, 2019	\$ -	\$ -	\$ -	\$ -	\$ -

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Campbell County High School Activity Fund
For the Year Ended June 30, 2019**

	Fund Balance July 1, 2018	Receipts	Disbursements	Fund Balance June 30, 2019
Academic Team/Expenses	\$ 871	\$ 1,215	\$ 1,704	\$ 382
ACT Prep	12	11,954	11,580	386
Advanced Placement	17,515	68,262	59,180	26,597
Art	81	161	161	81
Art Club	920	395	1,052	263
Astronomy	252	550	452	350
Athletic Advertising	38	550	588	-
Athletic Concessions	22	10,250	10,272	-
Athletic Hall of Fame	5,582	3,860	6,509	2,933
Athletic Project Fund	40	36,686	36,726	-
Athletics District Tourney	392	15,958	16,350	-
Athletics Merchandise	79	16,462	16,541	-
Athletics Regional Tourney	529	52,026	52,554	1
Band of Pride Secondary	31,852	14,418	46,270	-
Baseball	3,476	32,620	36,025	71
Becky Griffith Memorial	2,988	-	2,988	-
Beta Club	6,254	2,717	2,527	6,444
BoardGame club	1	371	369	3
Book and Media Club	23	193	138	78
Bowling	13	113	126	-
Boys Basketball	2,711	51,058	48,746	5,023
Boys Golf	349	759	573	535
Boys Soccer	485	15,510	15,995	-
Business	79	663	626	116
Caldwell Scholarship	1,100	-	-	1,100
Camel spirit scholarship	6,144	-	1,500	4,644
Camel Store	924	181	393	712
Campbell School	175	32,405	2,000	30,580
Carnes Memorial	16,030	-	1,000	15,030
CCHS Athletics	186	141,748	141,934	-
CCHS band of pride	15,760	94,261	100,292	9,729
Charitable Gaming	11	1,523	1,522	12
Cheerleader	3,336	49,560	49,966	2,930
Chemistry Club	39	-	39	-
Choir Fundraiser	3,155	28,975	29,116	3,014
Close-up	1,254	-	7	1,247
College Readiness	84	-	84	-
Creative Writing Club	222	48	-	270

(Continued)

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Campbell County High School Activity Fund (Continued)
For the Year Ended June 30, 2019**

	Fund Balance July 1, 2018	Receipts	Disbursements	Fund Balance June 30, 2019
Credit Recovery	\$ 5,446	\$ -	\$ 5,446	\$ -
Cross Country	78	2,833	2,911	-
Dance team	2,373	1,190	1,022	2,541
Dance/Homecoming	217	12,045	12,036	226
Drama Club	6,780	29,614	29,939	6,455
Drama Fees	247	-	-	247
Drug-Free Club	1,665	810	1,085	1,390
FBLA	3,133	27,180	23,235	7,078
FCA	20	-	20	-
FCCLA	929	5,435	6,194	170
FFA	1,993	26,254	25,717	2,530
Football	1,136	25,151	22,607	3,680
French	3	763	729	37
Freshman Academy	685	-	281	404
Fun Bunch	778	825	612	991
Future Ed Association	51	30	48	33
General	9,348	6,668	8,376	7,640
Girls Basketball	540	45,002	38,191	7,351
Girls Golf	1,141	4,377	4,986	532
Girls Soccer	1,334	3,908	5,242	-
Greenhouse	10,323	7,779	7,815	10,287
Greg Rose memorial	8,770	382	1,000	8,152
Griffith Memorial	1,510	2,988	500	3,998
Guidance Dept	816	975	1,774	17
Guitar Club	147	-	147	-
Health and PE	293	1,403	1,511	185
Hiking Club	239	-	239	-
Homecoming	67	692	414	345
Human Rights Club	209	366	347	228
Industrial Tech Fees	1,382	160	73	1,469
Jeff Harris Memorial	130	-	-	130
Kirchoff Memorial	2,205	-	1,629	576
Language Arts	62	-	-	62
Library	1,086	233	137	1,182
Library Technology Funds	1,219	1,584	1,737	1,066
Math	12	75	75	12
Math calculator	8,105	5,130	3,568	9,667

(Continued)

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Campbell County High School Activity Fund (Continued)
For the Year Ended June 30, 2019**

	Fund Balance July 1, 2018	Receipts	Disbursements	Fund Balance June 30, 2019
Math Club	\$ 144	\$ 30	\$ -	\$ 174
Math Textbook Sale	3,770	-	3,770	-
Missy White CD B	8,895	58	8,953	-
National French Honor Society	26	1,683	1,502	207
NHS	446	1,340	1,729	57
Pep Club	394	310	515	189
Photo Club	952	525	100	1,377
Project Graduation	530	14,718	15,248	-
Prom	21	22,671	20,735	1,957
Response to Intervention	82	-	82	-
Robert Ward CD	1,318	-	1,318	-
Ruby Gay Campbell	20,134	22	20,156	-
School Fees etc.	2,016	426,414	428,392	38
Science	188	1,465	1,437	216
Service Learning	316	-	316	-
Ski Club	156	1,080	998	238
Snowball Dance	493	14,931	15,361	63
Softball	1,856	15,303	13,606	3,553
Spanish Honor Society	1,036	5,996	6,262	770
Special Education	578	-	229	349
Staff Account	597	2,993	2,702	888
STLP	540	713	686	567
Student Council	2,469	1,130	729	2,870
Student Incentives	25,631	23,544	12,302	36,873
Swim	3,085	1,940	4,506	519
Tennis	758	8,384	8,458	684
Track	1,569	8,337	8,859	1,047
TSA/Robotics	160	-	160	-
Vocational Facs	5,369	10,627	10,123	5,873
Volleyball	11,155	14,793	25,870	78
Ward Memorial	442	-	-	442
White Memorial	6	8,953	2,200	6,759
World Language	55	1,355	1,410	-
Wrestling	1,821	5,297	5,994	1,124
Yearbook	3,122	2,195	1,547	3,770
Youth Alive	803	40	740	103
Total	\$ 298,389	\$ 1,496,151	\$ 1,532,543	\$ 261,997

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
School Activity Funds
For the Year Ended June 30, 2019**

	<u>John W. Reily Elementary</u>	<u>Grant's Lick Elementary</u>	<u>Donald E. Cline Elementary</u>	<u>Crossroads Elementary</u>
Fund balances at July 1, 2018	\$ 15,822	\$ 15,106	\$ 8,872	\$ 9,258
Add: receipts	121,009	108,971	100,854	97,350
Less: disbursements	<u>(124,946)</u>	<u>(112,474)</u>	<u>(93,086)</u>	<u>(99,247)</u>
Fund balance at June 30, 2019	<u>\$ 11,885</u>	<u>\$ 11,603</u>	<u>\$ 16,640</u>	<u>\$ 7,361</u>
	<u>Campbell Ridge Elementary</u>	<u>Campbell County Middle</u>	<u>Total</u>	
Fund balances at July 1, 2018	\$ 31,461	\$ 25,487	\$ 106,006	
Add: receipts	177,148	371,365	976,697	
Less: disbursements	<u>(168,601)</u>	<u>(359,225)</u>	<u>(957,579)</u>	
Fund balance at June 30, 2019	<u>\$ 40,008</u>	<u>\$ 37,627</u>	<u>\$ 125,124</u>	

CAMPBELL COUNTY SCHOOL DISTRICT

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

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability	0%	0%	0%	0%	0%	*	*	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
State's proportionate share of the net pension liability associated with the District	<u>88,993,460</u>	<u>176,749,656</u>	<u>189,347,033</u>	<u>147,942,805</u>	<u>128,787,900</u>	*	*	*	*	*
Total	<u>\$ 88,993,460</u>	<u>\$ 176,749,656</u>	<u>\$ 189,347,033</u>	<u>\$ 147,942,805</u>	<u>\$ 128,787,900</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 22,359,061	\$ 21,538,836	\$ 21,875,044	\$ 19,175,574	\$ 19,655,855	\$ 20,285,737	\$ 20,158,429	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	59.27%	39.83%	35.22%	42.49%	45.59%	*	*	*	*	*

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

Changes of benefit terms: None

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

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

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

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

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

Schedule of District Contributions - TRS

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 910,498	\$ 899,697	\$ 898,600	\$ 921,099	\$ 610,854	\$ 407,614	\$ 322,019	\$ 287,218	*	*
Contributions in relation to the contractually required contribution	<u>(910,498)</u>	<u>(899,697)</u>	<u>(898,600)</u>	<u>(921,099)</u>	<u>(610,854)</u>	<u>(407,614)</u>	<u>(322,019)</u>	<u>(287,218)</u>	*	*
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	*	*
District's covered-employee payroll	\$ 23,286,240	\$ 22,359,061	\$ 21,538,836	\$ 21,875,044	\$ 19,175,574	\$ 19,655,855	\$ 20,285,737	\$ 20,158,429	*	*
Contributions as a percentage of covered-employee payroll	3.91%	4.02%	4.17%	4.21%	3.19%	2.07%	1.59%	1.42%	*	*

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

CAMPBELL COUNTY SCHOOL DISTRICT

Schedule of District Contributions – CERS

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of net pension liability	0.305189%	0.307864%	0.302134%	0.294494%	0.296832%	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 18,586,940	\$ 18,020,226	\$ 14,875,926	\$ 12,661,848	\$ 9,630,000	*	*	*	*	*
Total net pension liability	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000	*	*	*	*	*
District's covered-employee payroll	\$ 7,565,999	\$ 7,493,016	\$ 7,537,214	\$ 6,634,972	\$ 6,845,079	\$ 7,008,675	\$ 7,146,021	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.7%	240.5%	197.4%	190.8%	140.7%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%	*	*	*	*	*

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

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

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

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

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

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

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

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

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

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

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

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

2017: The assumed investment rate of return was decreased from 7.5% to 6.25%.

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

Schedule of District Contributions – CERS

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,598,620	\$ 1,451,159	\$ 1,399,697	\$ 1,302,002	\$ 1,191,146	\$ 1,305,034	\$ 1,384,992	\$ 1,354,171	*	*
Contributions in relation to the contractually required contribution	(1,598,620)	(1,451,159)	(1,399,697)	(1,302,002)	(1,191,146)	(1,305,034)	(1,384,992)	(1,354,171)	*	*
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 7,442,367	\$ 7,565,999	\$ 7,493,016	\$ 7,537,214	\$ 6,634,972	\$ 6,845,079	\$ 7,008,675	\$ 7,146,021	*	*
Contributions as a percentage of covered-employee payroll	21.48%	19.18%	18.68%	17.27%	17.95%	19.07%	19.76%	18.95%	*	*

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

CAMPBELL COUNTY SCHOOL DISTRICT

Schedule of District Contributions – LIF

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0%	0%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	179,000	134,000	*	*	*	*	*	*	*	*
Total net OPEB liability	\$ 179,000	\$ 134,000	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 23,286,240	\$ 22,359,061	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	74.97%	79.99%	*	*	*	*	*	*	*	*

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

Changes of benefit terms - None.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.50%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

CAMPBELL COUNTY SCHOOL DISTRICT

Schedule of District Contributions – LIF

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ -	\$ -	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	*	*	*	*	*	*	*	*
Contribution deficiency	-	-	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 23,286,240	\$ 22,359,061	*	*	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	*	*	*	*	*	*	*	*

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

CAMPBELL COUNTY SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0.348855%	0.343819%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 12,104,000	\$ 12,260,000	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 10,431,000	\$ 10,015,000	*	*	*	*	*	*	*	*
Total net OPEB liability	\$ 22,535,000	\$ 22,275,000	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 23,286,240	\$ 22,359,061	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	52.0%	54.8%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	25.54%	21.18%	*	*	*	*	*	*	*	*

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

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

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

CAMPBELL COUNTY SCHOOL DISTRICT

Schedule of District Contributions – MIF

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 621,420	\$ 589,058	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(621,420)	(589,058)	*	*	*	*	*	*	*	*
Contribution deficiency	-	-	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 23,286,240	\$ 22,359,061	*	*	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	2.67%	2.63%	*	*	*	*	*	*	*	*

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

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

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

CAMPBELL COUNTY SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0.305178%	0.307864%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 5,418,375	\$ 6,189,119	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	*	*	*	*	*	*	*	*
Total net OPEB liability	\$ 5,418,375	\$ 6,189,119	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 7,565,999	\$ 7,493,016	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	71.6%	82.6%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%	*	*	*	*	*	*	*	*

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

Changes in assumptions:

1. The assumed investment return was changed from 7.50% to 6.25%.
2. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.
3. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.
4. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%.

2018: Updated health care trend rates were implemented.

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

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 355,513	\$ 354,548	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(355,513)</u>	<u>(354,548)</u>	<u>*</u>							
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>*</u></u>							
District's covered-employee payroll	\$ 7,442,367	\$ 7,565,999	*	*	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	4.78%	4.69%	*	*	*	*	*	*	*	*

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE June 30, 2019</u>
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 17	6,478
Special Education_Grants to States	84.027	3810002 18	935,454
Special Education_Preschool Grants	84.173	3800002 16	4,792
Special Education_Preschool Grants	84.173	3800002 17	28,397
Special Education_Preschool Grants	84.173	3800002 18	3,869
Total Special Education Cluster			<u>978,989</u>
Title I Grants to Local Educational Agencies	84.010A	3100002 16	13,566
Title I Grants to Local Educational Agencies	84.010A	3100002 17	155,291
Title I Grants to Local Educational Agencies	84.010A	3100002 18	440,740
Total Title I Grants			<u>609,597</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	313E	1,337
Stewart B McKinney Homeless	84.196A	S196160018	705
Stewart B McKinney Homeless	84.196A	S196160018	61,078
Personnel MOA- Education Recovery Specialist	84.010	1900001263 & 1900001809	231,375
Career and technical Education -Basic Grants to States	84.048	3710002 18	1,645
Career and technical Education -Basic Grants to States	84.048	3710002 18	39,448
Title II Improving Teacher Quality State Grants	84.367	3230002 17	47,554
Title II Improving Teacher Quality State Grants	84.367	3230002 18	92,916
Title IV	84.424A	3420002-17	3,241
Title IV	84.424A	3420002-18	29,966
Twenty-First Century Community Learning Centers	84.287	S287C150018	16,730
Twenty-First Century Community Learning Centers	84.287	S287C1750017	294,596
NIJ - Comprehensive School Safety Initiative	16.560	2016-CK-BX-0009	<u>1,224,809</u>
Total U.S. Department of Education			3,633,986
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 18	182,557
National School Lunch Program	10.555	7750002 19	840,592
School Breakfast Program	10.553	7760005 18	52,975
School Breakfast Program	10.553	7760005 19	258,303
Summer Food Service Program	10.559	7690024 18	1,065
Summer Food Service Program	10.559	7740023 19	10,336
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	N/A	<u>148,755</u>
Total Child Nutrition Cluster			<u>1,494,583</u>
<i>Passed through Kentucky Department of Education</i>			
Child and Adult Care Food Program	10.558	7790021 18	11,247
Child and Adult Care Food Program	10.558	7790021 19	79,635
Child and Adult Care Food Program	10.558	7800016 18	799
Child and Adult Care Food Program	10.558	7800016 19	5,654
			<u>97,335</u>
Total U.S. Department of Agriculture			<u>1,591,918</u>
Total Expenditures of Federal Awards			<u><u>5,225,904</u></u>

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2019, the District reported food commodities expended in the amount of \$148,755.

NOTE 4 – INDIRECT COST RATE

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

NOTE 5 – SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2019.

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

To the Members of the Board of Education
Campbell County School District
Alexandria, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Campbell County School District's basic financial statements, and have issued our report thereon dated November 12, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted other matters that we reported to management of the District on pages 78 to 79 on the audited financials' statements.

BARNES DENNIG

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

(Continued)

Purpose of this Report

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

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 12, 2019

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

Members of the Board of Education
Campbell County School District
Alexandria, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

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

Opinion on Each Major Federal Program

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

BARNES DENNIG

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

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 12, 2019

CAMPBELL COUNTY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

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

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

Identification of major programs

CFDA No.	Name of Federal Program or Cluster
10.553/10.555/10.559 84.010	Child Nutrition Cluster Title I Grants to Local Education Agencies

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

Auditee qualified as low-risk auditee? _____ X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

CAMPBELL COUNTY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

SECTION I -SUMMARY OF PRIOR YEAR AUDITOR'S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

CAMPBELL COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2019**

In planning and performing our audit of the financial statements of Campbell County School District for the year ended June 30, 2019, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 12, 2019 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 12, 2019, on the financial statements of the Campbell County School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Campbell County High School

No matters are reportable

Campbell County Middle School

No matters are reportable

Campbell Ridge Elementary

No matters are reportable

Cline Elementary

No matters are reportable

Crossroads Elementary

No matters are reportable

Grant's Lick Elementary

No matters are reportable

Reiley Elementary

No matters are reportable

CAMPBELL COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2019
(Continued)**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Campbell County High School

Statement of prior year deficiency:

- It was noted that blank checks were not stored in a secure location when not in use.

Current year follow-up: There were no such instances noted in the current year.

Campbell County Middle School

No matters are reportable

Campbell Ridge Elementary

Statement of prior year deficiency:

- It was noted that monthly financial statements and bank reconciliations were not signed or reviewed timely.

Current year follow-up: There were no such instances noted in the current year.

- It was noted that invoices were not marked paid.

Current year follow-up: There were no such instances noted in the current year.

Cline Elementary

No matters are reportable

Crossroads Elementary

No matters are reportable

Grant's Lick Elementary

No matters are reportable

John Reiley Elementary

No matters are reportable