

Clark County School District
Audited Financial Statements
and Required Supplementary Information
June 30, 2019

**CLARK COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2019**

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	17
Statement of Net Position - Proprietary Fund	18
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Notes to Basic Financial Statements	22-65

**CLARK COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
JUNE 30, 2019**

	<u>Page</u>
Required Supplementary Information:	
Schedule of District's Proportionate Share of Net Pension Liability	66
Schedule of District Contributions - Pension	67
Notes to Required Supplementary Information - Pension	68
Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan	69
Schedule of District Contributions – Medical Insurance Plan	70
Notes to Required Supplementary Information – Medical Insurance Plan	71
Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan	72
Schedule of District Contributions – Life Insurance Plan	73
Notes to Required Supplementary Information – Life Insurance Plan	74
Supplemental Schedules:	
Combining Balance Sheet – Non-major Governmental Funds	75
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Non-major Governmental Funds	76
Combining Statement of Receipts, Disbursements and Changes in Fund Balances – School Activity Funds	77
Statement of Receipts, Disbursements and Changes in Fund Balances – Clark County High School Activity Funds	78-79
Schedule of Expenditures of Federal Awards by Grant	80-81
Notes to Schedule of Expenditures of Federal Awards	82
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83-84
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	85-86
Schedule of Findings and Questioned Costs	87-88
Schedule of Prior Year Audit Findings	89
Management Letter Comments	90-98

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

STUART K. MCCRARY, JR., CPA
THOMAS S. SPARKS, CPA
RYAN R. LASKI, CPA

SUSAN A. LACY, CPA
JUSTIN B. NICHOLS, CPA
EMILY N. JACKSON, CPA

LAURENCE T. SUMMERS
1961-1992

INDEPENDENT AUDITOR'S REPORT

To the Kentucky State Committee of School District Audits
Members of the Board of Education
Clark County School District
Winchester, KY 40391

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 Clark 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 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. 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 Clark County School District as of June 30, 2019, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District Contributions – Pension, Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan, Schedule of District Contributions – Medical Insurance Plan, Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan, and Schedule of District Contributions – Life Insurance Plan on pages 3-9 and 66-74 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 Clark County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 and the schedule of expenditure 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 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 Clark 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Summers, McCrary & Sparks, PSC

Lexington, KY
November 12, 2019

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

As management of the Clark County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The total General Fund balance for FY 2019 is \$10,378,993 as compared to \$10,020,679 for FY 2018, which is greater than the 2% as required by state law. The General Fund had \$49,663,157 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Expenditures for General Fund totaled \$50,605,536.

The District is completing the final steps of the Energy Performance contract that will improve the district wide quality of environment for every school. The GRC Athletic Complex is still under construction with the final steps being completed on the Basketball stadium with an anticipated opening date of January 2020. The Football stadium is complete and had its grand opening on September 6, 2019 to a booming crowd of 6,000+ people. The remainder of the Athletic Complex for the Fieldhouse, Softball and Baseball fields are currently under construction and are anticipated to open in the Spring of 2020.

As a result of the District’s finance and educational support to schools, Clark County Public Schools received scores in five curriculum indicators. Those indicators are proficiency, separate academic, growth, transition readiness, and graduation rate. The chart below summarizes Clark County District scores related to the State recommended scores for the 2018-2019 school year.

Grade Span	Indicators	State Recommended Score / Clark County Score	
Elementary 3 Stars	Index	above 59.0	66.5
	Proficiency	--	75.8
	Reading	54.6	58.3
	Math	48.6	56.1
	Separate Academic	--	67.3
	Science	31.7	32.9
	Social Studies	55.1	67.2
	Writing	46.6	39.5
	Growth	above 50.0	56.7
Middle 3 Stars	Index	above 59.0	64.8
	Proficiency	--	79.2
	Reading	59.6	62.9
	Math	46.4	56.8
	Separate Academic	--	60.6
	Science	26.0	27.3
	Social Studies	58.8	55.1
	Writing	31.9	25.1
	Growth	above 50.0	53.5
High 3 Stars	Index	above 62.0	65.5
	Proficiency	--	59.7
	Reading	44.5	49.9
	Math	35.3	38.1
	Separate Academic	--	57.0
	Science	29.9	31.7
	Writing	50.3	40.7
	Transition Readiness	--	71.9
	Graduation Rate	90.0	97.6
District 3 Stars	Index	--	65.6
	Proficiency	--	71.6
	Separate Academic	--	61.6
	Growth	above 50.0	55.1

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the 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 government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The 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 12-21 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-65 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$46,333,770 as of June 30, 2019 as compared to \$46,802,534 in the prior year. The prior year net position was revised to correct an error in the fixed asset balances as of June 30, 2018. The prior year fund balance has been restated from \$46,802,534 to \$45,588,454 to reflect this accounting change.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding.

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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 years ending June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current Assets	\$ 31,162,584	\$ 42,299,075	\$ (11,136,491)
Noncurrent Assets	136,780,483	122,912,517	13,867,966
Total Assets	<u>167,943,067</u>	<u>165,211,592</u>	<u>2,731,475</u>
Deferred Outflows of Resources	<u>6,666,180</u>	<u>6,952,954</u>	<u>(286,774)</u>
Current Liabilities	7,720,926	6,335,804	1,385,122
Noncurrent Liabilities	117,533,557	118,240,451	(706,894)
Total Liabilities	<u>125,254,483</u>	<u>124,576,255</u>	<u>678,228</u>
Deferred Inflows of Resources	<u>3,020,994</u>	<u>1,999,837</u>	<u>1,021,157</u>
Net Position			
Investment in capital assets (net)	48,644,384	33,683,851	14,960,533
Restricted	16,984,005	29,943,917	(12,959,912)
Unrestricted	(19,294,619)	(18,039,314)	(1,255,305)
Total Net Position	<u>\$ 46,333,770</u>	<u>\$ 45,588,454</u>	<u>\$ 745,316</u>

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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

	Summary of Revenue and Expenditures					
	Governmental		Business-type		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Local revenue sources	\$22,311,345	\$22,311,599	\$298,584	\$352,341	\$22,609,929	\$22,663,940
State revenue sources	40,090,929	42,350,940	269,928	399,975	40,360,857	42,750,915
Federal revenue sources	7,068,727	6,617,790	3,615,730	3,219,511	10,684,457	9,837,301
Investments	1,022,366	694,515	22,834	14,170	1,045,200	708,685
Total Revenue	70,493,367	71,974,844	4,207,076	3,985,997	74,700,443	75,960,841
Expenses:						
Instruction	43,442,214	43,518,346	0	0	43,442,214	43,518,346
Student support services	3,594,374	2,754,900	0	0	3,594,374	2,754,900
Instructional support	1,624,165	1,640,395	0	0	1,624,165	1,640,395
District administration	2,204,489	2,023,750	0	0	2,204,489	2,023,750
School administration	2,162,577	3,496,967	0	0	2,162,577	3,496,967
Business support	1,333,116	1,901,469	0	0	1,333,116	1,901,469
Plant operations	5,094,888	2,443,294	0	0	5,094,888	2,443,294
Student transportation	4,518,297	4,429,156	0	0	4,518,297	4,429,156
Community service	987,289	1,390,813	0	0	987,289	1,390,813
Interest on long-term debt	4,783,181	4,499,944	0	0	4,783,181	4,499,944
Food service	0	0	4,210,537	4,245,416	4,210,537	4,245,416
Total Expenses	69,744,590	68,099,034	4,210,537	4,245,416	73,955,127	72,344,450
Transfers	33,039	162,973	(33,039)	(162,973)	0	0
Change in net position	781,816	4,038,783	(36,500)	(422,392)	745,316	3,616,391
Beginning net position	46,544,514	58,060,566	(956,060)	(81,193)	45,588,454	57,979,373
Effect of adoption of GASB 75	0	(15,554,835)	0	(452,475)	0	(16,007,310)
Beginning net position restated	46,544,514	42,505,731	(956,060)	(533,668)	45,588,454	41,972,063
Ending net position	\$47,326,330	\$46,544,514	(\$992,560)	(\$956,060)	\$46,333,770	\$45,588,454

Governmental Activities

The revenue derived from local taxes makes up 32% of the total revenue and state funding makes up 57% of total revenue. Instruction makes up 62% of total Governmental Fund Expenditures. Central support services expenditures are: Transportation 6%, Maintenance & Operations 7%, School Administration 3% and Other Support Functions 22%.

Business-Type Activities

Revenues for Food Service Fund totals \$4,207,076 as of June 30, 2019, an increase of \$221,079 from 2018. These revenues include lunchroom sales, federal and state grants, federal commodities, and interest income. Total Operating Expenditures for Food Service Fund totals \$4,210,537 as of June 30, 2019, a decrease of \$34,879 from 2018. The Change in Net position (Revenues less Expenditures) for the Food Service Fund is a decrease of \$36,500.

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

The following tables present a summary of revenue and expense, excluding transfers for selected funds for the years ended June 30, 2019 and 2018 (including on-behalf payments). These tables include capital outlay with the corresponding program that purchased the assets. Food service amounts are presented on the accrual basis while general fund and special revenue fund are on the modified accrual basis.

For the Year ending June 30, 2019

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>FOOD SERVICE FUND</u>
REVENUES:			
From local sources:			
Taxes:			
Property	\$ 14,066,850	\$ 0	\$ 0
Motor vehicle	1,576,600	0	0
Utilities	2,398,397	0	0
Earnings on investments	275,261	0	22,834
Other local revenues	675,253	53,917	0
Intergovernmental - state	30,399,587	2,354,632	269,928
Intergovernmental - federal	271,209	3,923,858	3,615,730
Lunchroom sales	0	0	298,584
TOTAL REVENUES	\$ 49,663,157	\$ 6,332,407	\$ 4,207,076
EXPENDITURES:			
Instruction:	\$ 31,710,133	\$ 5,099,030	\$ 0
Support Services:			
Student	2,960,987	162,674	0
Instructional staff	1,001,330	432,029	0
District administration	2,072,995	0	0
School administration	1,888,203	0	0
Business	1,201,139	0	0
Plant operations and maintenance	4,601,461	110,314	0
Student transportation	3,739,925	8,175	0
Food Service	0	0	4,210,537
Community Service	905,309	519,739	0
Debt service	523,755	0	0
TOTAL EXPENDITURES	\$ 50,605,237	\$ 6,331,961	\$ 4,210,537
Excess (Deficit) of Revenues over Expenditures	<u>\$ (942,080)</u>	<u>\$ 446</u>	<u>\$ (3,461)</u>

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

For the Year ending June 30, 2018

	GENERAL FUND	SPECIAL REVENUE FUND	FOOD SERVICE FUND
REVENUES:			
From local sources:			
Taxes:			
Property	\$ 14,124,847	\$ 0	\$ 0
Motor vehicle	1,529,728	0	0
Utilities	2,532,337	0	0
Earnings on investments	388,289	5,969	14,170
Other local revenues	708,209	393,624	0
Intergovernmental - state	30,320,649	2,668,198	399,975
Intergovernmental - federal	281,637	3,397,969	3,219,511
Lunchroom sales	0	0	352,341
TOTAL REVENUES	\$ 49,885,696	\$ 6,465,760	\$ 3,985,997
EXPENDITURES:			
Instruction:	\$ 29,049,930	\$ 5,672,144	\$ 0
Support Services:			
Student	2,263,523	23,149	0
Instructional staff	1,045,826	324,901	0
District administration	2,015,653	190	0
School administration	2,864,105	0	0
Business	1,634,695	0	0
Plant operations and maintenance	4,393,953	98,196	0
Student transportation	4,113,670	98	0
Food Service	0	0	4,245,416
Community Service	799,570	507,662	0
Debt service	507,823	0	0
TOTAL EXPENDITURES	\$ 48,688,748	\$ 6,626,340	\$ 4,245,416
Excess (Deficit) of Revenues over Expenditures	\$ 1,196,948	\$ (160,580)	\$ (259,419)

Debt

At June 30, 2019, the School District had \$87,277,499 in revenue bonds outstanding; of this amount \$10,263,000 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$3,937,992 is due within one year.

Capital Assets

The Board added \$16,646,726 to the governmental funds and \$111,956 to the proprietary funds in capital assets during the year, primarily for construction projects.

BUDGETARY IMPLICATIONS

Comments on Budget Comparisons

The District’s total general fund revenues for the fiscal year ended June 30, 2019 net of inter-fund transfers, were \$49,663,157, a decrease of \$222,539 from the total revenues of \$49,885,696 for 2018.

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$3,751,494 more than budget. General fund budget compared to actual expenditures varied slightly from line item to line item with the ending actual expenditures being \$6,462,724 less than budgeted.

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency.

Questions regarding this report should be directed to Paul Christy, Superintendent, or Aleisha Ellis, Director of Finance, at (859) 744-4545 or by mail at 1600 W. Lexington Avenue, Winchester, KY 40391.

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 28,966,463	\$ 962,416	\$ 29,928,879
Accounts receivable			
Taxes	507,887	-	507,887
Accounts	81,852	31,012	112,864
Intergovernmental - federal	583,240	-	583,240
Inventory	-	29,714	29,714
Total Current Assets	<u>30,139,442</u>	<u>1,023,142</u>	<u>31,162,584</u>
Noncurrent Assets			
Non-depreciated capital assets	37,541,350	-	37,541,350
Net depreciated capital assets	<u>98,987,887</u>	<u>251,246</u>	<u>99,239,133</u>
Total Noncurrent Assets	136,529,237	251,246	136,780,483
TOTAL ASSETS	<u>166,668,679</u>	<u>1,274,388</u>	<u>167,943,067</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension	3,960,105	419,482	4,379,587
OPEB	<u>2,106,852</u>	<u>179,741</u>	<u>2,286,593</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>6,066,957</u>	<u>599,223</u>	<u>6,666,180</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	2,415,924	6,020	2,421,944
Accrued interest	726,090	-	726,090
Unearned revenues	347,323	-	347,323
Current portion of accrued sick leave	97,613	-	97,613
Current portion of bond obligations	3,937,992	-	3,937,992
Current portion of lease obligations	189,964	-	189,964
Total Current Liabilities	<u>7,714,906</u>	<u>6,020</u>	<u>7,720,926</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	82,929,841	-	82,929,841
Noncurrent portion of lease obligations	1,078,302	-	1,078,302
Noncurrent portion of accrued sick leave	518,814	-	518,814
Net pension liability	13,781,223	2,014,652	15,795,875
Net OPEB liability	<u>16,633,685</u>	<u>577,040</u>	<u>17,210,725</u>
Total Noncurrent Liabilities	114,941,865	2,591,692	117,533,557
TOTAL LIABILITIES	<u>122,656,771</u>	<u>2,597,712</u>	<u>125,254,483</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	1,125,625	162,563	1,288,188
OPEB	<u>1,626,910</u>	<u>105,896</u>	<u>1,732,806</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,752,535</u>	<u>268,459</u>	<u>3,020,994</u>
NET POSITION			
Net Investment in Capital Assets	48,393,138	251,246	48,644,384
Restricted For:			
Capital projects	16,724,027	-	16,724,027
Student activities	259,978	-	259,978
Unrestricted	<u>(18,050,813)</u>	<u>(1,243,806)</u>	<u>(19,294,619)</u>
TOTAL NET POSITION	<u>\$ 47,326,330</u>	<u>\$ (992,560)</u>	<u>\$ 46,333,770</u>

See Accompanying Notes to the Financial Statements

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 43,442,214	\$ -	\$ 16,914,426	\$ -	\$ (26,527,788)	\$ -	\$ (26,527,788)
Support Services:							
Student	3,594,374	23,380	1,403,391	-	(2,167,603)	-	(2,167,603)
Instructional staff	1,624,165	-	625,390	-	(998,775)	-	(998,775)
District administration	2,204,489	-	860,723	-	(1,343,766)	-	(1,343,766)
School administration	2,162,577	-	844,359	-	(1,318,218)	-	(1,318,218)
Business	1,333,116	-	520,503	-	(812,613)	-	(812,613)
Plant operations and maintenance	5,094,888	-	1,965,139	-	(3,129,749)	-	(3,129,749)
Student transportation	4,518,297	-	1,764,050	-	(2,754,247)	-	(2,754,247)
Non-Instructional	987,289	-	374,493	-	(612,796)	-	(612,796)
Interest on long-term debt	4,783,181	-	-	4,140,213	(642,968)	-	(642,968)
Total Governmental Activities	69,744,590	23,380	25,272,474	4,140,213	(40,308,523)	-	(40,308,523)
Business-Type Activities:							
Lunchroom sales	4,210,537	298,584	3,885,658	-	-	(26,295)	(26,295)
Total Primary Government	\$ 73,955,127	\$ 321,964	\$ 29,158,132	\$ 4,140,213	\$ (40,308,523)	\$ (26,295)	\$ (40,334,818)
			General Revenues:				
			Taxes:				
			Property	\$ 17,111,618	\$ -	\$ 17,111,618	
			Motor vehicle	1,576,600	-	1,576,600	
			Utilities	2,398,397	-	2,398,397	
			State aid formula grants	17,731,681	-	17,731,681	
			Interest and investment earnings	1,022,366	22,834	1,045,200	
			Gain on disposal	1,591	-	1,591	
			Miscellaneous	1,215,047	-	1,215,047	
			Transfers	33,039	(33,039)	-	
			Total General Revenues	41,090,339	(10,205)	41,080,134	
			Change in Net Position	781,816	(36,500)	745,316	
			Net Position beginning	47,758,594	(956,060)	46,802,534	
			Prior period adjustment	(1,214,080)	-	(1,214,080)	
			Net position beginning restated	46,544,514	(956,060)	45,588,454	
			Net Position ending	\$ 47,326,330	\$ (992,560)	\$ 46,333,770	

See Accompanying Notes to the Financial Statements

CLARK COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash and cash equivalents	\$ 10,395,369	\$ (161,134)	\$ 18,452,150	\$ -	\$ 280,078	\$ 28,966,463
Accounts receivable						
Taxes	507,887	-	-	-	-	507,887
Other	81,852	-	-	-	-	81,852
Intergovernmental - federal	-	583,240	-	-	-	583,240
TOTAL ASSETS	\$ 10,985,108	\$ 422,106	\$ 18,452,150	\$ -	\$ 280,078	\$ 30,139,442
LIABILITIES:						
Accounts payable	\$ 592,242	\$ 75,459	\$ 1,734,141	\$ -	\$ 14,082	\$ 2,415,924
Sick leave payable	13,873	-	-	-	-	13,873
Unearned revenue	-	347,323	-	-	-	347,323
TOTAL LIABILITIES	606,115	422,782	1,734,141	-	14,082	2,777,120
FUND BALANCES:						
Restricted						
Capital projects	-	-	16,718,009	-	6,018	16,724,027
Student activities	-	-	-	-	259,978	259,978
Committed	357,252	-	-	-	-	357,252
Assigned	774,571	-	-	-	-	774,571
Unassigned	9,247,170	(676)	-	-	-	9,246,494
TOTAL FUND BALANCES	10,378,993	(676)	16,718,009	-	265,996	27,362,322
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,985,108	\$ 422,106	\$ 18,452,150	\$ -	\$ 280,078	\$ 30,139,442

See Accompanying Notes to the Financial Statements

CLARK COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Governmental Fund Balances	\$	27,362,322
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in the fund financial statements because they are not current financial resources, but they are reported in the statement of net position.</p>		
		136,529,237
<p>Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources, but are recorded in the statement of net position.</p>		
Pension plan		3,960,105
OPEB		2,106,852
<p>Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources, but are recorded in the statement of net position.</p>		
Pension plan		(1,125,625)
OPEB		(1,626,910)
<p>Certain obligations are not reported in the fund financial statements since they are not a use of current financial resources because they are not due and payable. However they are presented in the statement of net position.</p>		
Bond obligations		(86,867,833)
Capital lease obligations		(1,268,266)
Net pension liability		(13,781,223)
Net OPEB liability		(16,633,685)
Accrued interest		(726,090)
Accrued sick leave		(602,554)
Net Position of Governmental Activities	\$	<u>47,326,330</u>

See Accompanying Notes to the Financial Statements

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
From local sources:						
Taxes:						
Property	\$ 14,066,850	\$ -	\$ -	\$ -	\$ 3,044,768	\$ 17,111,618
Motor vehicle	1,576,600	-	-	-	-	1,576,600
Utilities	2,398,397	-	-	-	-	2,398,397
Tuition and fees	-	-	-	-	23,380	23,380
Earnings on investments	275,261	-	747,105	-	-	1,022,366
Other local revenues	675,253	53,917	600	-	469,989	1,199,759
Intergovernmental - state	30,399,587	2,354,632	-	1,266,553	1,370,611	35,391,383
Intergovernmental - federal	271,209	3,923,858	-	2,873,660	-	7,068,727
TOTAL REVENUES	49,663,157	6,332,407	747,705	4,140,213	4,908,748	65,792,230
EXPENDITURES:						
Current:						
Instruction:	31,673,281	5,057,113	-	-	120,882	36,851,276
Support Services:						
Student	2,960,987	162,674	-	-	-	3,123,661
Instructional staff	1,001,330	432,029	-	-	22,413	1,455,772
District administration	2,072,995	-	-	-	-	2,072,995
School administration	1,888,203	-	-	-	-	1,888,203
Business	1,201,139	-	-	-	-	1,201,139
Plant operations and maintenance	4,441,709	110,314	-	-	61,760	4,613,783
Student transportation	3,739,925	8,175	-	-	200	3,748,300
Non-Instructional	359,358	519,739	-	-	28,136	907,233
Capital outlay	742,555	41,917	15,862,254	-	-	16,646,726
Debt service	523,755	-	97,470	8,297,230	-	8,918,455
TOTAL EXPENDITURES	50,605,237	6,331,961	15,959,724	8,297,230	233,391	81,427,543
Excess (Deficit) of Revenues over Expenditures	(942,080)	446	(15,212,019)	(4,157,017)	4,675,357	(15,635,313)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	1,400,514	-	-	4,157,017	-	5,557,531
Operating transfers out	(100,120)	(1,122)	(1,013,889)	-	(4,409,361)	(5,524,492)
Proceeds from debt issuance	-	-	3,000,000	-	-	3,000,000
TOTAL OTHER FINANCING SOURCES (USES)	1,300,394	(1,122)	1,986,111	4,157,017	(4,409,361)	3,033,039
Net Change in Fund Balances	358,314	(676)	(13,225,908)	-	265,996	(12,602,274)
Fund Balance beginning of year	10,020,679	-	29,943,917	-	-	39,964,596
Fund Balance end of year	\$ 10,378,993	\$ (676)	\$ 16,718,009	\$ -	\$ 265,996	\$ 27,362,322

See Accompanying Notes to the Financial Statements

CLARK COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (12,602,274)

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

Bond discounts and premiums are expensed as incurred in the fund financial statement, but are amortized over the life of the bond in the statement of activities:

Bond discount expense	59,970
Amortization expense	(20,241)

The proceeds from the disposal of capital assets provide current financial resources and are reported in the fund financial statements. However, for governmental activities the proceeds are reported net of the cost less any accumulated depreciation. 1,591

Bond and capital lease proceeds are recognized in the fund financial statements as resources available for use as current financial resources, but debt issuance proceeds are not recognized in the statement of activities.

Bond proceeds	(3,000,000)
---------------	-------------

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

Capital outlays	16,646,726
Depreciation expense	(2,864,320)

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred

Accrued interest	42,707
Sick leave	(65,282)

Governmental funds report retirement contributions as expenditure when paid. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, and the recognition of changes in deferred outflows and inflows of resources related to pensions and investment experience.

KTRS on-behalf revenue	11,889,199
KTRS on-behalf pension expense	(11,179,652)
KTRS on-behalf OPEB expense	(709,547)
Pension expense	(1,347,414)
OPEB expense	(122,485)

Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position. 4,052,838

Change in Net Position of Governmental Activities \$ 781,816

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 13,866,322	\$ 14,046,904	\$ 14,066,850	\$ 19,946
Motor vehicle	1,429,600	1,480,740	1,576,600	95,860
Utilities	2,350,000	2,550,000	2,398,397	(151,603)
Earnings on investments	150,000	300,000	275,261	(24,739)
Other local revenues	527,244	713,547	675,253	(38,294)
Intergovernmental - state	27,013,482	26,570,472	30,399,587	3,829,115
Intergovernmental - indirect federal	250,000	250,000	271,209	21,209
TOTAL REVENUES	<u>45,586,648</u>	<u>45,911,663</u>	<u>49,663,157</u>	<u>3,751,494</u>
EXPENDITURES:				
Current:				
Instruction:	27,776,004	28,706,225	31,710,133	(3,003,908)
Support Services:				
Student	2,052,631	2,643,713	2,960,987	(317,274)
Instructional staff	1,166,602	931,079	1,001,330	(70,251)
District administration	2,149,752	2,166,153	2,072,995	93,158
School administration	2,486,273	1,540,427	1,888,203	(347,776)
Business	1,469,851	1,185,452	1,201,139	(15,687)
Plant operations and maintenance	4,606,725	5,185,422	4,601,461	583,961
Student transportation	3,796,420	3,965,855	3,739,925	225,930
Non-instructional	1,122,631	1,443,770	905,309	538,461
Debt service	684,919	523,755	523,755	-
Contingency	13,027,170	8,776,110	-	8,776,110
TOTAL EXPENDITURES	<u>60,338,978</u>	<u>57,067,961</u>	<u>50,605,237</u>	<u>6,462,724</u>
Excess (Deficit) of Revenues over Expenditures	<u>(14,752,330)</u>	<u>(11,156,298)</u>	<u>(942,080)</u>	<u>10,214,218</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	-	-	-
Operating transfers in	520,000	1,407,234	1,400,514	(6,720)
Operating transfers out	(574,868)	-	(100,120)	(100,120)
Capital lease proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(54,868)</u>	<u>1,407,234</u>	<u>1,300,394</u>	<u>(106,840)</u>
Net Change in Fund Balance	(14,807,198)	(9,749,064)	358,314	10,107,378
Fund Balance beginning	<u>14,807,198</u>	<u>9,747,883</u>	<u>10,020,679</u>	<u>272,796</u>
Fund Balance ending	<u>\$ -</u>	<u>\$ (1,181)</u>	<u>\$ 10,378,993</u>	<u>\$ 10,380,174</u>

See Accompanying Notes to the Financial Statements

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From Local Sources:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Other local revenues	86,473	108,006	53,917	(54,089)
Intergovernmental - state	2,175,292	2,191,285	2,354,632	163,347
Intergovernmental - indirect federal	3,710,288	3,801,009	3,923,858	122,849
TOTAL REVENUES	<u>5,972,053</u>	<u>6,100,300</u>	<u>6,332,407</u>	<u>232,107</u>
EXPENDITURES:				
Current:				
Instruction:	4,905,714	5,035,658	5,099,030	(63,372)
Support Services:				
Student	14,737	88,956	162,674	(73,718)
Instructional staff	552,216	462,680	432,029	30,651
District administration	500	-	-	-
School administration	-	-	-	-
Plant operations and maintenance	68,735	161,400	110,314	51,086
Student Transportation	-	2,653	8,175	(5,522)
Non-Instructional	477,574	519,305	519,739	(434)
TOTAL EXPENDITURES	<u>6,019,476</u>	<u>6,270,652</u>	<u>6,331,961</u>	<u>(61,309)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(47,423)</u>	<u>(170,352)</u>	<u>446</u>	<u>170,798</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	58,042	99,276	-	(99,276)
Operating transfers out	-	(1,895)	(1,122)	773
TOTAL OTHER FINANCING SOURCES (USES)	<u>58,042</u>	<u>97,381</u>	<u>(1,122)</u>	<u>(98,503)</u>
Net Change in Fund Balance	10,619	(72,971)	(676)	72,295
Fund Balance beginning	-	-	-	-
Fund Balance ending	<u>\$ 10,619</u>	<u>\$ (72,971)</u>	<u>\$ (676)</u>	<u>\$ 72,295</u>

See Accompanying Notes to the Financial Statements

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019

	FOOD SERVICE FUND
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 962,416
Accounts receivable	31,012
Inventory	29,714
Total Current Assets	1,023,142
Noncurrent Assets	
Machinery & equipment	966,842
Accumulated depreciation	(715,596)
Total Noncurrent Assets	251,246
TOTAL ASSETS	1,274,388
DEFERRED OUTFLOW OF RESOURCES	
Pension plan	419,482
OPEB	179,741
TOTAL DEFERRED OUTFLOWS OF RESOURCES	599,223
LIABILITIES:	
Current Liabilities	
Accounts payable	6,020
Noncurrent Liabilities	
Net pension liability	2,014,652
Net OPEB liability	577,040
Total Noncurrent Liabilities	2,591,692
TOTAL LIABILITIES	2,597,712
DEFERRED INFLOWS OF RESOURCES	
Pension plan	162,563
OPEB	105,896
TOTAL DEFERRED INFLOWS OF RESOURCES	268,459
NET POSITION:	
Net Investment in Capital Assets	251,246
Unrestricted	(1,243,806)
TOTAL NET POSITION	\$ (992,560)

See Accompanying Notes to the Financial Statements

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	FOOD SERVICE FUND
OPERATING REVENUES:	
Reimbursable programs	\$ -
Non-Reimbursable programs	257,985
Special Functions	39,123
Other operating revenues	1,476
TOTAL OPERATING REVENUES	298,584
OPERATING EXPENSES:	
Salaries and benefits	1,853,792
Contract services	60,886
Materials and supplies	2,258,541
Miscellaneous	8,361
Property	972
Depreciation	27,985
TOTAL OPERATING EXPENSES	4,210,537
Operating Income (Loss)	(3,911,953)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	3,414,590
Federal commodities	201,140
State grants	31,227
State on-behalf payments	238,701
Interest income	22,834
NON-OPERATING REVENUES (EXPENSES)	3,908,492
Net income (loss) before operating transfers	(3,461)
Operating transfers	(33,039)
Change in Net Position	(36,500)
Total Net Position beginning	(956,060)
Total Net Position ending	\$ (992,560)

See Accompanying Notes to the Financial Statements

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	FOOD SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 353,622
Cash paid to suppliers	(1,884,483)
Cash paid to employees	(1,647,496)
Net Cash Provided (Used) by Operating Activities	(3,178,357)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers	(33,039)
Governmental grants	3,445,817
Net Cash Provided (Used) by Noncapital Financing Activities	3,412,778
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(111,956)
Net Cash Provided (Used) by Investing Activities	(111,956)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	22,834
Net Cash Provided (Used) by Investing Activities	22,834
Net Increase (Decrease) in Cash and Cash Equivalents	145,299
Cash and cash equivalents beginning	817,117
Cash and cash equivalents ending	\$ 962,416
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (3,911,953)
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:	
Depreciation	27,985
On-behalf payments	238,701
Donated commodities	201,140
Changes in Assets and Liabilities:	
Accounts receivable	55,038
Inventories	(1,160)
Deferred outflows	58,041
Accounts payable	5,596
Deferred inflows	39,612
Net pension liability	153,917
Net OPEB liability	(45,274)
Net Cash Provided (Used) by Operating Activities	\$ (3,178,357)
Non-cash Items:	
On-behalf payments	\$ 238,701
Donated commodities	\$ 201,140

See Accompanying Notes to the Financial Statements

CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 287,880
Accounts receivable	<u>2,559</u>
TOTAL ASSETS	\$ <u>290,439</u>
LIABILITIES:	
Accounts payable	\$ 3,455
Due to student groups	<u>286,984</u>
TOTAL LIABILITIES	\$ <u>290,439</u>

See Accompanying Notes to the Financial Statements

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – REPORTING ENTITY

The Clark 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 Clark 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, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Clark 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 Boosters Clubs, Parent-Teacher Associations and other student association entities.

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:

Blended Component Unit

Clark County Board of Education Finance Corporation - In a prior year, the Board resolved to authorize the establishment of the Clark County School District Finance Corporation (a non-stock, non-profit corporation organized under School Bond Act and Chapter 273 and KRS 58.180) (the Corporation) as an agency of the District for financing the costs of school building improvements. The Board members of the Clark County Board of Education also comprise the corporation's Board of Directors. The Corporation does not publish individual component unit financial statements.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

BASIS OF PRESENTATION

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activity of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

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

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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Fund Financial Statements (Cont'd)

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 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 the total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

(A) The General Fund 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 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. Project accounting is employed to maintain integrity for the various sources of funds. The Special Revenue Fund is a major fund.

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

- 1) The Support Education Excellence in Kentucky (SEEK) Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a non-major fund of the District.
- 2) The Facility Support Program of Kentucky (FSPK) Fund 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. This is a non-major fund of the District.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Fund Financial Statements (Cont'd)

- 3) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bonds issues are used for various construction and renovation projects. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a major fund of the District.

(D) The Debt Service Fund accounts for financial resources used for payment of principal and interest and other debt related costs. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

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

III. Fiduciary Fund Type (Agency)

(A) The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, 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 60 days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises during the period for which taxes are levied, but only after the District has completed certain legal steps to establish the enforceable legal claim. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are 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. Revenues from non-exchange transactions must also be available before they can be recognized in the governmental fund statements.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Revenues – Exchange and Non-Exchange Transactions (Cont'd)

In the Government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. 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.

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.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues from local sources consist primarily of property taxes. Property taxes collected are recorded as revenues in the fund for which they were levied. Revenue is recognized when susceptible to accrual. Miscellaneous revenues are recorded on the same basis, if measurable. Investment earnings are recorded as earned since they are measurable and available.

Grant funds which are recorded in the special revenue fund as restricted funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as unearned revenues until all eligibility requirements have been met.

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

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

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.

Inventory

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition 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. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

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:

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

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1 for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes unpaid after December 31 are considered delinquent and the County Attorney can file a lien against the property, after certain notices are provided to taxpayers.

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, if the taxes are restricted to a specific purpose, such as the Building Fund (FSPK).

The property tax rates assessed for the year ended June 30, 2019 to finance the General Fund operations were \$.622 per \$100 valuation for real property, \$.622 per \$100 valuation for business personal property and \$.535 per \$100 valuation for motor vehicles. The District levies a 3% utility tax on all businesses and households within the County.

Interfund Balances

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

Budgetary Process

The District's budgetary process accounts for certain transactions on a basis of accounting other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. As a result, several programs exceeded budgetary appropriations. However, these amounts were funded by the on-behalf revenues from the state. See Note 15 for these amounts which were not known by the District at the time the budget was adopted. In addition, capital outlay is budgeted with the departmental budget (budget basis) rather than as a separate category (GAAP basis).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end. The budget for the Special Revenue Fund consists of the sum of each active grant's budget.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Budgetary Process (Cont'd)

Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current 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.

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 the accumulated sick leave.

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

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Fund Balances

The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) for fiscal year 2011 for its governmental funds. Fund balances for each of the District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Fund balance in the SEEK, construction and FSPK of \$16,724,027 are restricted for capital projects. District Activity funds are restricted for student activities with a total of \$259,978 at June 30, 2019.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the board's highest level of decision-making authority, which is a resolution. As of June 30, 2019, the District committed \$308,213 for sick leave and \$49,039 for site base council.
- *Assigned fund balance*—amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board or a delegated entity has the authority to assign amounts to be used for specific purposes. Assigned fund balance in the General Fund includes amounts that have been appropriated for expenditures in the budget for the District's subsequent fiscal year of \$774,571 as of June 30, 2019.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's 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.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources. Net invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and any deferred outflows/inflows related to debt issued for capital financing. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School 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 School District, those revenues are primarily charges for meals provided by various schools and fees charged for day care services. All other revenues are non-operating. Operating expenses can be tied directly to the production of the goods and services, such as the materials and labor and direct overhead. Other expenses are non-operating.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Interfund Activity

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

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

Estimates

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

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows- contributions to the CERS and KTRS pension systems after the measurement period, differences between actual and estimated actuarial assumptions in the two pension systems (see Notes 7 and 8), and the unrecognized portion of a deferred loss on the refinancing of long-term debt (see Note 5).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until appropriate period. The District reports one type of deferred inflows- those related to the net differences between projected and actual actuarial assumptions for pension and OPEB plans (see Notes 7 and 8).

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 ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the CERS and KTRS, respectively. 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. Both systems publish separate financial statements as described in Note 7.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB 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 ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these multiple-employer cost-sharing OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note 8.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

New Accounting Pronouncements (Cont.)

GASB Statement No. 87, *Leases* (GASB 87), increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that lease are financings of the right to use an underlying asset. GASB 87 will be effective for reporting periods beginning after December 15, 2019. The District has not determined the financial impact of the implementation of GASBS No. 87, but many of the leases reported in Note 6 will be reported as intangible assets and lease liabilities with the implementation of GASBS No. 87.

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This statement establishes criteria for identifying fiduciary activities for all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 will be effective for reporting periods beginning after December 15, 2018. The District has not determined the financial impact of the implementation of GASBS No. 84, but the school activity funds will be reviewed to determine which funds will be reported as special revenue funds, which will increase net position, and which will be reported as fiduciary custodial funds.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end, the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC Insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$30,216,759. The bank balance for the same time was \$33,325,546.

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$4,123,823	\$0	\$0	\$4,123,823
Construction in Progress	18,683,041	15,862,254	1,127,767	33,417,528
Total Capital Assets not being depreciated	22,806,864	15,862,254	1,127,767	37,541,350
Other Capital Assets				
Land Improvements	227,404	237,554	0	464,958
Buildings & Improvements	119,865,120	1,349,669	0	121,214,788
Technological Equipment	1,895,637	55,019	1,042,556	908,100
Vehicles	4,913,669	146,531	32,500	5,027,700
General Equipment	1,100,085	123,466	91,549	1,132,001
Total Other Assets	128,001,914	1,912,239	1,166,605	128,747,548
Less accumulated depreciation for:				
Land Improvements	(72,580)	(22,358)	0	(94,938)
Buildings & Improvements	(22,790,898)	(2,379,066)	0	(25,169,964)
Technological Equipment	(1,828,012)	(26,784)	(1,044,147)	(810,649)
Vehicles	(2,721,759)	(369,392)	(32,500)	(3,058,652)
General Equipment	(650,288)	(66,721)	(91,549)	(625,460)
Total accumulated depreciation	(28,063,538)	(2,864,320)	(1,168,196)	(29,759,662)
Other Capital Assets, net	99,938,376	(952,081)	(1,591)	98,987,887
Governmental Activities, net	<u>\$122,745,240</u>	<u>\$14,910,173</u>	<u>\$1,126,176</u>	<u>\$136,529,237</u>
Business Activities:				
Technological Equipment	\$121,063	\$0	\$114,350	\$6,713
Vehicles	0	11,836	0	11,836
General Equipment	893,973	100,120	45,800	948,293
Total	1,015,036	111,956	160,150	966,842
Less accumulated depreciation for:				
Technological Equipment	(120,481)	(582)	(114,350)	(6,713)
Vehicles	0	0	0	0
General Equipment	(727,280)	(27,403)	(45,800)	(708,883)
Total accumulated depreciation	(847,761)	(27,985)	(160,150)	(715,596)
Business Activities, net	<u>\$167,276</u>	<u>\$83,971</u>	<u>\$0</u>	<u>\$251,246</u>

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - CAPITAL ASSETS (Cont'd)

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

Governmental Activities:

Instruction	\$2,292,523
Support Services:	
Student	32,179
Instructional Staff	10,404
District Administration	25,130
School Administration	32,304
Business Support Services	6,133
Plant Operations & Maintenance	104,528
Student Transportation	359,092
Non-instructional	2,026
Total depreciation expense, governmental activities	<u><u>\$2,864,320</u></u>

NOTE 5 – LONG-TERM DEBT AND LEASE OBLIGATIONS

Bonds

The District, through the General Fund, the Building Fund, and the SEEK Capital Outlay Fund are obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Clark County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996, the District entered into "Participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On December 1, 2011, the District issued \$2,845,000 in Qualified Zone Academy Bonds (QZABS). QZAB's are financing instruments that are used to finance renovations and repairs to schools, with the federal government providing the interest payment and the school district being responsible for the repayment of principal only.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)

On December 1, 2011, the District issued \$15,450,000 in Qualified School Construction Bonds (QSCB). The QSCB are tax advantaged bonds issued as described in section 54A, 54F and 6431 of the Internal Revenue Code. The District has irrevocably elected to receive a cash interest subsidy payment from the Federal government equal to the interest payable by the District on each interest payment date. The SFCC will make annual payments of \$640,348 into an irrevocable escrow account, which along with the income earned on the payments will produce the total principal amount required for the retirement of the bonds at their maturity.

Advance Refunding

On July 1, 2012, the District issued \$268,100 of general obligation refunding bonds, Series 2012R, with interest rates of 2.0%. The bonds consist of serial bonds with annual maturities from June, 2013 through December, 2016. The net proceeds of \$267,954 (after issuance costs of \$146) were used to advance refund series 2001 bonds with a total outstanding principal amount of \$265,000 and an average interest rate of 4.825%.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the District's total debt service payments by \$11,893. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of \$3,100. The District reports the refundable credit and interest subsidy as federal revenues.

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

Issue	Proceeds	Rates	Maturity Dates	Outstanding Balance June 30, 2019
2008	\$3,945,008	2.25% - 5.25%	9/1/2019	\$445,000
2010 QSCB	41,535,000	5.20%	6/1/2026	23,775,490
2010 BABS	5,170,000	5.00%	11/1/2030	2,360,000
2011 QZAB	2,845,000	5.00%	12/1/2030	2,009,445
2011 QSCB	15,450,000	5.00%	12/1/2030	10,967,564
2012	10,800,000	2.00% - 3.20%	8/1/2032	10,345,000
2015	8,380,000	3.00% - 3.50%	4/1/2035	7,570,000
2017A	7,970,000	2.00% - 3.50%	5/1/2037	7,605,000
2017B	19,255,000	2.00% 3.13%	9/1/2037	19,200,000
2019	3,000,000	3.00% 3.75%	8/1/2039	3,000,000
	<u>\$118,350,008</u>			<u>\$87,277,499</u>

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)

Year	Clark County School District		Kentucky School Construction Commission		Total
	Principal	Interest	Principal	Interest	
2020	\$3,501,058	\$4,324,364	\$436,934	\$352,138	\$8,614,494
2021	3,520,939	4,293,376	457,053	369,017	8,640,385
2022	3,538,428	4,271,433	479,564	323,711	8,613,136
2023	3,559,760	4,247,759	503,232	307,464	8,618,215
2024	3,584,671	4,222,348	528,321	1,250,736	9,586,076
2025-2029	28,762,605	13,970,471	3,070,055	682,511	46,485,641
2030-2034	21,023,760	4,177,361	3,116,120	184,633	28,501,873
2035-2039	9,523,279	660,435	1,671,721	0	11,855,435
	<u>\$77,014,499</u>	<u>\$40,167,546</u>	<u>\$10,263,000</u>	<u>\$3,470,209</u>	<u>\$130,915,254</u>

Capital Leases

Following is an analysis of the leased property under capital lease through KISTA:

KISTA Issue	Maturity Dates	Interest Rates	6/30/18			6/30/19
			Outstanding Balance	Additions	Retirements	Outstanding Balance
2009	3/1/2020	2-3.6%	\$61,175	\$0	\$30,074	\$31,101
2012	3/1/2022	2-2.625%	102,706	0	27,098	75,608
2014	6/1/1931	3-3.5%	339,206	0	21,622	317,584
2015	3/1/2025	2-2.5%	195,740	0	27,907	167,833
2017	3/1/2027	2.55%	401,855	0	49,231	352,624
2018	9/1/2028	2-3%	362,430	0	38,914	323,516
Totals			<u>\$1,463,112</u>	<u>\$0</u>	<u>\$194,846</u>	<u>\$1,268,266</u>

The following is a schedule by years of the future minimum lease payments under KISTA capital lease together with the present value of the net minimum lease payments as of June 30, 2019:

Year Ending June 30	Capital Lease Payable
2020	\$225,303
2021	182,999
2022	182,452
2023	157,555
2024	152,741
Thereafter	546,800
Total minimum lease payments	1,447,851
Less: Amount of interest	(179,585)
Present value of net minimum lease payments	<u>\$1,268,266</u>

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)

Capital Leases (Cont'd)

The following is an analysis of the leased property under capital leases by class at June 30, 2019:

Class of Property	Amount
Buses	\$2,050,594
Less: Accumulated Depreciation	1,044,248
Book Value	<u>\$1,006,346</u>

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

	06/30/18 Beginning Balance	Additions	Reductions	06/30/19 Ending Balance	Amounts Due Within One Year
Bonds	\$88,135,490	\$3,000,000	\$3,857,992	\$87,277,499	\$3,937,992
Net Bond Premium (Discount)	(369,937)	(59,970)	(20,241)	(409,666)	0
Capital Leases	1,463,112	0	194,846	1,268,266	189,964
Sick Leave	545,594	159,201	88,368	616,427	97,613
Total	<u>\$89,774,260</u>	<u>\$3,099,231</u>	<u>\$4,120,965</u>	<u>\$88,752,526</u>	<u>\$4,225,569</u>

NOTE 6 - COMMITMENTS UNDER NON-CAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2019 are as follows:

Year Ending June 30:	Amount
2020	\$186,348
2021	186,348
2022	144,596
2023	20,364
Total	<u>\$537,656</u>

Expenditures for equipment under operating leases for the year ended June 30, 2019 totaled \$186,348.

NOTE 7 - RETIREMENT PLAN

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.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

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

Cost of living adjustments are provided at the discretion of the General Assembly. Beginning in 2015, COLAs were suspended until the retirement funds reach 100% funded status.

Retirement benefits are calculated using factors for the number of years’ service multiplied by the “final compensation.” Reduced benefits are based on factors of both of these components. Again, the definitions of “final compensation” and the benefit factor for years’ of service depend on the Tier in which the member participates. Benefits in Tier 3, the cash balance plan, are limited to the accumulated contributions and earnings credited to the member’s account, similar to a defined contribution plan.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Benefits provided (cont'd)

There are, however, minimum rates of return that are guaranteed and funded with employer contributions when actual earnings are less than these minimum rates.

Tier 1	Final Compensation	Average of the highest 5 fiscal years
	Benefit Factor	2.2% prior to 8/1/2004 or 2% after 8/1/2004
	Interest on member accounts	2%
Tier 2	Final Compensation	5 complete fiscal years preceding retirement
	Benefit Factor	Scale of 1.1% to 2% based on number of years of service
	Interest on member accounts	2.50%
Tier 3	Final Compensation	N/A
	Benefit Factor	N/A
	Interest on member accounts	4% plus 75% of the 5 year geometric average earnings in excess of 4%
	Employer Pay Credit	4% of creditable compensation

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are provided in a \$5,000 lump sum payment.

- Death benefits before retirement are based on the member's eligibility for normal or early retirement at the time of death, or five years of service if the member is under the age of 55, or 144 months of service if the member is no longer working for a participating agency.
- If beneficiaries are eligible for benefits, they may choose a lifetime monthly benefit or a lump sum payment for an actuarial refund, or annuities for 5 or 10 years of monthly payments.
- If the beneficiary is not eligible for monthly benefits, a lump sum payment of the member's contributions and accumulated interest will be paid. Beneficiaries of Tier 3 members will also include the employer pay credit if the member has at least 5 years of service at the time of death.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Benefits provided (cont'd)

- If the member dies as a result of a duty-related death, the decedent's beneficiary will receive the higher of the normal death benefit or \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children.
- Dependent children also receive benefits for duty-related deaths as a monthly benefit equal to 10% of the member's monthly final rate of pay. But, dependent children benefits cannot total more than 40% of the monthly final rate of pay.

Contributions

Required contributions by the employee are based on the tier:

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

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

Plan description

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

Benefits provided

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service.

To qualify for monthly retirement benefits, payable for life, employees must either:

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

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Benefits provided (cont'd)

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. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

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

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). 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 KTRS.

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.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Other Retirement Plans

The District also offers employees the option to participate in defined contribution plans under Sections 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. These plans are administered by independent third-party administrators.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to the plans during the year totaled \$409,383. The District does not contribute to these plans.

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 KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District.

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

District's proportionate share of the net CERS pension liability	\$ 15,795,875
Commonwealth's proportionate share of the net KTRS pension liability associated with the District	<u>92,535,820</u>
	<u>\$ 108,331,695</u>

The net pension liability for CERS was based on the total pension liability that was determined by an actuarial valuation as of June 30, 2018.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)

The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. The District's proportion of the net pension liability 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 .259361%. For the year ended June 30, 2019, the District recognized pension expense of \$1,530,485 (\$1,347,414 in Governmental funds and \$183,071 in Proprietary fund) related to CERS. The net pension liability for KTRS was based on the total pension liability that was measured as of June 30, 2018, determined by an actuarial valuation as of that date. The district recognized pension expense of \$11,179,652 related to KTRS. The District also recognized revenue of \$11,179,652 for KTRS 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
Differences between expected and actual experience	\$ 515,217	\$ 231,218
Changes of assumptions	1,543,717	-
Net difference between projected and actual earnings on pension plan investments	734,520	923,921
Changes in proportion and differences between District contributions and proportionate share of contributions	421,830	133,049
District contributions subsequent to the measurement date	1,164,303	-
	\$ 4,379,587	\$ 1,288,188

\$1,164,303 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:

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)

Year ended June 30:

2020	\$1,370,114
2021	\$ 750,917
2022	\$ (109,158)
2023	\$ (84,777)
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:

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	3.0%
Projected salary increases	3.30%-11.55% (varies by service)	3.5-7.3%
Investment rate of return, net of investment expense & inflation	6.25%	7.5%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. At the time of the last experience study, performed as of June 30, 2013, this mortality assumption provided 37% and 19% margin for future improvement for males and females, respectively. This will be reviewed again when the next experience investigation is conducted for the 2019 actuarial analysis.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females. The last experience study was performed for the period July 1, 2010 – June 30, 2015.

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.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Actuarial assumptions (cont'd)

In May 2017, the Kentucky Retirement Systems Board of Trustees adopted a new asset allocation policy based on recommendations from the investment professionals serving as trustees on the Board, the actuarial valuation used a long-term expected rate of return determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS' investment trustees, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.0%</u>	

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

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

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

Actuarial assumptions (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.20%
International Equity	22.00%	5.20%
Fixed Income	15.00%	1.20%
Additional Categories*	8.00%	3.30%
Real Estate	6.00%	3.80%
Private Equity	7.00%	6.30%
Cash	2.00%	0.90%
Total	<u>100.00%</u>	

**Includes High Yield, Non-US Developed Bonds, and Private Credit Strategies*

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 KTRS, 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 the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments. The change in the discount rate from the 4.49% used in the 2017 disclosure reports is considered a change in the actuarial assumptions or other inputs under GASBS No. 68.

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

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - RETIREMENT PLAN (cont'd)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 19,885,371	\$ 15,795,875	\$ 12,369,594
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 KTRS.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)

The District's employees are provided with two OPEB 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. Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and KTRS plans. The Kentucky Retirement System's publicly available financial report may be obtained from <http://kyret.ky.gov/>. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

CERS Other Postemployment Benefits

Plan Description—CERS health insurance benefits are also subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance covered based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium. Hazardous members receive a contribution subsidy for both the member and dependent coverage.

Benefits Provided—Percentage of premium subsidies ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

Hazardous retirees receive \$15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the 2018 measurement period, CERS allocated 4.70% of the 19.18% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1% of the Tier 2 and 3 employee contributions of 6% are allocated to the health insurance plan.

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

At June 30, 2019, the District reported a liability of \$4,604,725 for its proportionate share of the collective net CERS OPEB liability. The total OPEB liability, net OPEB liability, and sensitivity information for CERS are based on an actuarial valuation performed as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. 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 0.259351%.

The amount recognized by the District as its proportionate share of the OPEB liability was \$4,604,725 as of June 30, 2019. For the year ended June 30, 2019, the District recognized OPEB expense of \$194,163.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 536,620
Changes of assumptions	919,632	10,639
Net difference between projected and actual earnings on OPEB plan investments	-	317,175
Changes in proportion and differences between District contributions and proportionate share of contributions	143,781	9,372
District contributions subsequent to the measurement date	377,573	-
	\$ 1,440,986	\$ 873,806

Of the total amount reported as deferred outflows of resources related to OPEB, \$377,573 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	\$ 41,328
2021	\$ 41,328
2022	\$ 41,328
2023	\$ 102,929
2024	\$ (15,132)
Thereafter	\$ (22,173)

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:

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% - 11.55%, depending on years of service
Inflation rate	2.30%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal Bond Index Rate	3.62%
Discount Rate	5.85%

Mortality rates were based on the RP-2000 Combined Mortality Table updated with Scale BB from the year 2000 to the year 2013. Pre-retirement mortality male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%. Post-retirement mortality rates for females are set back one year. The RP-2000 Disabled Mortality Table is used for post-retirement mortality using the Scale BB projected to 2025. Male mortality rates are set back four years.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2013 valuation. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May and July 2017 for use with the June 30, 2018 valuation in order to reflect future economic expectations.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major class are summarized in the table below.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.0%</u>	

Discount rate – The single discount rate of 5.85% for CERS-Nonhazardous was used to measure the total OPEB liability as of June 30, 2018. The Single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2018. Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2018) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently included in the calculation of the System’s actuarial determined contributions, but any cost associated with the implicit subsidy is not paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.85%, 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 (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

	1% Decrease		Current Discount Rate		1% Increase
	4.85%		5.85%		6.85%
District's proportionate share of net OPEB liability	\$ 5,980,800	\$	4,604,725	\$	3,432,561

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:

	1% Decrease		Current Health Care Trend Rate		1% Increase
	6.5% decreasing to 4%		7.5% decreasing to 5%		8.5% decreasing to 6%
District's proportionate share of net OPEB liability	\$ 3,428,264	\$	4,604,725	\$	5,991,435

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

KTRS Postemployment Health Care Benefits

The Commonwealth of Kentucky (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 KTRS Medical Insurance and Life Insurance Plans. The following information is about the KTRS plans:

Plan description—In addition to the pension benefits described in Note 7, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

Benefits Provided—To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS 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 KTRS Medicare Eligible Health Plan.

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

For the state's fiscal year ended June 30, 2018, the State budgeted supplemental appropriations for the Kentucky Teachers Retirement System to improve the system's funded status. Although not actuarially required, these appropriations have been included in the State's share of contributions for the actuarial measurement as of June 30, 2018.

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

At June 30, 2019, the District reported a liability of \$12,606,000 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 .363301%.

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:

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

District's proportionate share of the net KTRS OPEB liability	\$	12,606,000
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District		10,863,000
Total	\$	23,469,000

For the year ended June 30, 2019, the District recognized OPEB expense of \$709,547 and revenue of \$709,547 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:

		<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	-	\$	646,000
Changes of assumptions		173,000		-
Net difference between projected and actual earnings on OPEB plan investments		-		51,000
Changes in proportion and differences between District contributions and proportionate share of contributions		-		162,000
District contributions subsequent to the measurement date		672,607		-
	\$	845,607	\$	859,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$672,607 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	
2020	\$ (136,000)
2021	\$ (136,000)
2022	\$ (136,000)
2023	\$ (113,000)
2024	\$ (117,000)
Thereafter	\$ (48,000)

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont’d)

KTRS Postemployment Health Care Benefits (cont’d)

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	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 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	1.02% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, 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, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 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:

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Additional Categories*	20.0%	3.3%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Cash	<u>1.0%</u>	.9%
Total	<u>100.0%</u>	

**Includes high yield, non-US developed bonds, and private credit strategies*

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

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
District's proportionate share of MIF net OPEB liability	\$ 14,782,000	\$ 12,606,000	\$ 10,793,000

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:

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

	1% Decrease	Current Health Care Trend Rate	1% Increase
	6.75%	7.75%	8.75%
	decreasing to 4%	decreasing to 5%	decreasing to 6%
District's proportionate share of net OPEB liability	\$ 10,453,000	\$ 12,606,000	\$ 15,262,000

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

KTRS Postemployment Life Insurance Benefits

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

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

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

For the state’s fiscal year ended June 30, 2018, the State budgeted supplemental appropriations for the Kentucky Teachers Retirement System to improve the system’s funded status. Although not actuarially required, these appropriations have been included in the State’s share of contributions for the actuarial measurement as of June 30, 2018.

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

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

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Life Insurance Benefits (cont'd)

District's proportionate share of the net KTRS OPEB liability	\$	-
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District		186,000
	\$	186,000

The collective net OPEB liability for life insurance was based on an actuarial valuation performed as of June 30, 2018. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the State's long-term share of contributions to the State's life insurance plan for District employees relative to the projected contributions for all employees, actuarially determined. For the year ended June 30, 2019, the District recognized OPEB expense of \$31,000 and revenue of \$31,000 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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 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.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Life Insurance Benefits (cont'd)

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>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Additional Categories*	6.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Cash	<u>2.0%</u>	.9%
Total	<u>100.0%</u>	

**Includes high yield, non-US developed bonds, and private credit strategies*

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	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
District's proportionate share of LIF net OPEB liability	\$ -	\$ -	\$ -

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

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 – 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. At June 30, 2019, this amount totaled \$616,427.

NOTE 10 - INSURANCE AND RELATED ACTIVITIES

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose the grantor may request a refund of monies advanced, or to refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

At June 30, 2019, the District had several uncompleted construction contracts in the capital projects fund. The remaining commitment on these construction contracts was approximately \$12,572,472.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12- 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 worker's compensation, 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. Contributions to the Workers' Compensation Fund are based on premium rates established by such a fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety days notice.

In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

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

NOTE 13 - COBRA

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

NOTE 14 - DEFICIT OPERATING/ FUND BALANCES

The following funds were operating at a deficit fund balance at June 30, 2019:

Food Service	\$992,560
--------------	-----------

Also, the following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in the following reductions of fund balance:

Food Service	\$36,500
Special Revenue	\$676
Construction	\$13,225,908

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 15 – INTERFUND TRANSACTIONS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Building	Debt Service	Debt Service	\$3,942,640
Capital Outlay	Debt Service	Debt Service	\$214,377
Capital Outlay	General	CFR	\$252,344
Construction	General	Construction	\$1,013,889
Food Service	General	Indirect Costs	\$133,159
General	Food Service	Fixed Assets	\$100,120
Special Revenue	General	Indirect Costs	\$1,122

NOTE 16 - ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2019, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Kentucky Teachers Retirement System	\$ 7,269,107
Health & Life Insurance	5,511,995
Technology	110,218
Debt Service	1,266,553
Recognized at the Fund Level	<u>\$ 14,157,873</u>
Additional pension & OPEB expense recognized at the Government-Wide Level	\$ 4,699,545
Total On-Behalf	<u><u>\$ 18,857,418</u></u>

NOTE 16 - ON-BEHALF PAYMENTS (Cont'd)

These payments were recorded in the appropriate revenue and expense accounts on the statement of revenue, expenses, and changes in fund balance as follows:

General Fund	\$ 12,652,619
Food Service Fund	238,701
Debt Service Fund	1,266,553
Total	<u><u>\$ 14,157,873</u></u>

NOTE 17– LITIGATION

The District is subject to several legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 18– SUBSEQUENT EVENTS

In preparing these financial statements, management of the District has evaluated events and transaction for potential recognition or disclosure through November 12, 2019, the date the financial statements were available to be issued.

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

The District has determined that capital assets were overstated for the governmental funds in the prior year.

Upon reconciliation of the capital asset detail to the financial statement balances it was discovered that governmental capital assets were overstated. This was corrected in the current year resulting in the prior period adjustment as shown in the Government Wide Statement of Activities.

The adjustment affected beginning balances for the year ended June 30, 2019 as shown in the following table:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<u>Governmental:</u>			
Net depreciated capital assets	\$ 101,152,457	\$(1,214,080)	\$99,938,377
Net investment in capital assets	\$ 34,730,655	\$(1,214,080)	\$33,516,575

CLARK COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL SCHEDULES

**CLARK COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:					
District's proportion of the net pension liability	0.259351%	0.247879%	0.255670%	0.250200%	0.252150%
District's proportionate share of the net pension liability	\$ 15,795,875	\$ 14,509,120	\$ 12,588,232	\$ 10,757,386	\$ 8,180,771
District's covered-employee payroll	\$ 6,366,878	\$ 5,890,324	\$ 6,271,485	\$ 6,064,648	\$ 6,048,423
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	248.09%	246.32%	200.72%	177.38%	135.25%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:					
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	\$ 92,535,820	\$ 189,692,739	\$ 209,072,870	\$ 165,560,053	\$ 106,821,950
Total	<u>\$ 92,535,820</u>	<u>\$ 189,692,739</u>	<u>\$ 209,072,870</u>	<u>\$ 165,560,053</u>	<u>\$ 106,821,950</u>
District's covered-employee payroll	\$ 23,300,998	\$ 22,835,242	\$ 22,717,608	\$ 22,386,072	\$ 22,638,548
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	56.40%	54.60%	55.30%	53.60%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**CLARK COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED JUNE 30, 2019**

	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM:					
Contractually required contribution	\$ 930,809	\$ 841,917	\$ 726,374	\$ 747,009	\$ 1,092,745
Contributions in relation to the contractually required contribution	930,809	841,917	726,374	747,009	1,092,745
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 6,366,878	\$ 5,890,324	\$ 6,271,485	\$ 6,064,648	\$ 6,048,423
District's contributions as a percentage of its covered-employee payroll	14.62%	14.29%	11.58%	12.32%	18.07%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 23,300,998	\$ 22,835,242	\$ 22,717,608	\$ 22,386,072	\$ 22,638,548
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
FOR THE YEAR ENDED JUNE 30, 2019**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Changes of Benefit Terms -

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

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

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

Changes of Assumptions -

The actuarially determined contribution rates are determined in an annual basis using the actuarial valuation conducted two years prior to the year in which the contribution will be assessed. The amortization period for the unfunded liability was reset as of July 1, 2013 to a closed 30-year period. For the 2017 actuarial valuation, several key actuarial assumptions were revised. Changes in assumptions prior to 2016 provided minor adjustments to the actuarial measurements. The following table outlines the actuarial methods and assumptions that were used in 2017 and 2016 to determine contribution rates reported for all systems:

Assumption	2017 Valuation	2016 Valuation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level of Percentage of Payroll, closed	Level of Percentage of Payroll, closed
Remaining Amortization Period	26 Years	27 Years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Post-retirement benefit adjustments	0.00%	0.00%
Inflation	2.30%	3.25%
Salary Increase	3.3% to 11.55% varies by service), average, including Inflation	4% , average, including Inflation
Investment Rate of Return	6.25% , Net of Pension Plan Investment Expense, including Inflation	7.5% , Net of Pension Plan Investment Expense, including Inflation

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Changes of Benefit Terms - None

Changes of Assumptions:

The 2018 actuarial analysis for KTRS indicated that cash flows for the system would be sufficient to pay benefits in all periods. As a result, the discount rate for the 2018 study was the same as the long-term expected yield of 7.5%. In 2017, the analysis used a blended rate of 4.49% which included the application of the municipal bond index to periods after 2038.

**CLARK COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - MEDICAL
INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2019 (2018)	2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM:		
District's proportion of the net OPEB liability	0.259351%	0.247879%
District's proportionate share of the net OPEB liability	\$ 4,604,725	\$ 4,983,216
District's covered-employee payroll	\$ 6,366,878	\$ 5,890,324
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	72.32%	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
District's proportion of the net OPEB liability	0.363301%	0.368681%
District's proportionate share of the net OPEB liability	12,606,000	13,146,000
State's proportionate share of the net OPEB liability associated with the District	\$ 10,863,000	\$ 10,739,000
Total	<u>\$ 23,469,000</u>	<u>\$ 23,885,000</u>
District's covered-employee payroll	\$ 23,300,998	\$ 22,835,242
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	54.10%	57.57%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	26.70%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**CLARK COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2018</u>	<u>2017</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:		
Contractually required contribution	\$ 302,127	\$ 285,467
Contributions in relation to the contractually required contribution	<u>302,127</u>	<u>285,467</u>
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 6,366,878	\$ 5,890,324
District's contributions as a percentage of its covered-employee payroll	4.75%	4.85%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ 647,154	\$ 631,655
Contributions in relation to the contractually required contribution	<u>647,154</u>	<u>631,655</u>
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 23,300,998	\$ 22,835,242
District's contributions as a percentage of its covered-employee payroll	2.78%	2.77%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - MEDICAL INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Valuation Date: June 30, 2018

Changes in actuarial assumptions:

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions which were changed from the 2016 actuarial valuation, applied to all periods included in the measurement

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation
Projected salary increase	4% average
Inflation rate	3.25%
Healthcare cost trend rate	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal bond index rate	3.56%
Discount rate	5.84%

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Valuation Date: June 30, 2018

2017 Changes to benefit terms:

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retire 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

**CLARK COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - LIFE
INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2019 (2018)	2018 (2017)
KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
District's proportion of the net OPEB liability	0%	0%
District's proportionate share of the net OPEB liability	-	-
State's proportionate share of the net OPEB liability associated with the District	\$ 186,000	\$ 144,000
Total	\$ 186,000	\$ 144,000
District's covered-employee payroll	\$ 23,300,998	\$ 22,835,242
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	75.00%	87.80%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**CLARK COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - LIFE INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

	2018	2017
KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 23,300,998	\$ 22,835,242
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%

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

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - LIFE INSURANCE
PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Valuation Date: June 30, 2018

Changes to benefit terms:

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retire 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.

CLARK COUNTY SCHOOL DISTRICT

SUPPLEMENTAL SCHEDULES

**CLARK COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS:				
Cash and cash equivalents	\$ 6,018	\$ -	\$ 274,060	\$ 280,078
TOTAL ASSETS	<u>\$ 6,018</u>	<u>\$ -</u>	<u>\$ 274,060</u>	<u>\$ 280,078</u>
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 14,082	\$ 14,082
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>14,082</u>	<u>14,082</u>
FUND BALANCES:				
Restricted	6,018	-	259,978	265,996
TOTAL FUND BALANCES	<u>6,018</u>	<u>-</u>	<u>259,978</u>	<u>265,996</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,018</u>	<u>\$ -</u>	<u>\$ 274,060</u>	<u>\$ 280,078</u>

**CLARK COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	SEEK CAPITAL OUTLAY	FSPK BUILDING FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ -	\$ 3,044,768	\$ -	\$ 3,044,768
Tuition and fees	-	-	23,380	23,380
Other local revenues	-	-	469,989	469,989
Intergovernmental - state	472,739	897,872	-	1,370,611
Intergovernmental - federal	-	-	-	-
TOTAL REVENUES	<u>472,739</u>	<u>3,942,640</u>	<u>493,369</u>	<u>4,908,748</u>
EXPENSES:				
Instruction	-	-	120,882	120,882
Support Services:				
Instructional staff	-	-	22,413	22,413
Plant operations and maintenance	-	-	61,760	61,760
Student transportation	-	-	200	200
Non-Instructional	-	-	28,136	28,136
Debt service	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>233,391</u>	<u>233,391</u>
Excess (Deficit) of Revenues over Expenditures	472,739	3,942,640	259,978	4,675,357
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	(466,721)	(3,942,640)	-	(4,409,361)
Proceeds from debt issuance	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(466,721)</u>	<u>(3,942,640)</u>	<u>-</u>	<u>(4,409,361)</u>
Net Change in Fund Balance	6,018	-	259,978	265,996
Fund balance beginning	-	-	-	-
Fund balance ending	<u>\$ 6,018</u>	<u>\$ -</u>	<u>\$ 259,978</u>	<u>\$ 265,996</u>

**CLARK COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
 SCHOOL ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balances June 30, 2018	Receipts	Disbursements	Cash Balances June 30, 2019	Accounts Receivable June 30, 2019	Accounts Payable June 30, 2019	Deposits Held in Custody for Students June 30, 2019
George Rogers Clark High School	\$ 155,626	\$ 423,851	\$ 393,316	\$ 186,161	\$ 2,559	\$ 755	\$ 187,965
Campbell Jr. High School	83,721	226,608	229,903	80,426	-	2,079	78,347
Baker Intermediate School	13,146	26,152	30,274	9,024	-	455	8,569
Conkwright Elementary School	1,930	21,081	20,994	2,017	-	166	1,851
Willis H. Justice Elementary School	5,690	32,761	32,403	6,048	-	-	6,048
Shearer Elementary School	3,519	15,441	16,251	2,709	-	-	2,709
Strode Station Elementary School	2,261	16,358	17,124	1,495	-	-	1,495
	<u>\$ 226,658</u>	<u>\$ 762,252</u>	<u>\$ 740,265</u>	<u>\$ 287,880</u>	<u>\$ 2,559</u>	<u>\$ 3,455</u>	<u>\$ 286,984</u>

**CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
CLARK COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

ACCOUNTS:	Cash			Cash	Accounts	Accounts	Deposits Held in
	Balances	Receipts	Disbursements				
	June 30,			June 30,	June 30,	June 30,	June 30,
	2018			2019	2019	2019	2019
American Heart Association	\$ -	\$ 105	\$ -	\$ 105	\$ -	\$ -	\$ 105
Academic Team Tshirts	-	400	400	-	-	-	-
Athletics	-	73,391	62,138	11,253	2,000	-	13,253
AP Testing	-	31,789	30,725	1,064	-	-	1,064
Athletic Contingency	28,629	6,656	15,264	20,021	-	-	20,021
Band	169	4,500	4,669	-	-	-	-
Baseball	532	-	532	-	-	-	-
Bass Fishing	-	-	-	-	-	-	-
Beta Club	710	1,940	2,650	-	-	-	-
Bookstore	940	28,179	21,206	7,913	-	-	7,913
Bowling	225	-	225	-	-	-	-
Beacon of Hope Fundraiser	-	211	211	-	-	-	-
Boy's Basketball	2,318	9,200	10,488	1,030	-	-	1,030
Boy's Golf	34	-	34	-	-	-	-
Boy's Soccer	69	1,956	1,976	49	-	-	49
Boy's Tennis	98	52	150	-	-	-	-
Cap & Gowns	2,789	21,015	19,069	4,735	-	-	4,735
Cards for Paws	87	-	87	-	-	-	-
Cheer	-	-	-	-	-	-	-
Chorus	18	-	-	18	-	-	18
Cinderella's Closet	3,986	-	3,431	555	-	-	555
Class of 2018	-	-	-	-	-	-	-
Class of 2019	35,435	18,914	54,349	-	-	76	(76)
Class of 2020	-	38,500	-	38,500	-	-	38,500
Contingency	6,623	-	6,623	-	-	-	-
Dance Blue	72	401	473	-	-	-	-
Dance Team	1,834	5,377	6,061	1,150	-	-	1,150
DECA	962	-	962	-	-	-	-
ELL	-	182	154	28	-	-	28
Drama	12,182	9,073	10,142	11,113	273	-	11,386
Faculty Lounge	4,481	804	172	5,113	51	-	5,164
Fees	-	3,755	3,473	282	-	-	282
FFA	-	8,242	6,630	1,612	-	-	1,612
Fine Arts Cohort	1,512	1,226	1,437	1,301	90	-	1,391
Floral Design	155	645	800	-	-	-	-
Football 6A Playoff	-	3,139	3,139	-	-	-	-
Football	-	9,688	10,009	(321)	-	-	(321)

**CLARK COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
CLARK COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

ACCOUNTS:	Cash			Cash	Accounts	Accounts	Deposits Held in
	June 30,	Receipts	Disbursements				
	2018			2019	June 30,	June 30,	Students
					2019	2019	June 30,
French Club	\$ 86	\$ 2,675	\$ 2,279	\$ 482	\$ -	\$ -	\$ 482
General	987	17,998	400	18,585	-	10	18,575
Girl's Basketball	-	4,203	3,432	771	-	-	771
Girl's Golf	34	1,513	1,513	34	-	-	34
Girl's Soccer	-	40	40	-	-	-	-
Girl's Tennis	-	-	-	-	-	-	-
Green Club	162	-	162	-	-	-	-
Greenhouse	12,480	13,266	13,899	11,847	-	-	11,847
Guidance	666	810	335	1,141	15	-	1,156
Journalism	7,860	17,203	17,213	7,850	-	-	7,850
Jr. ROTC	8,759	9,360	8,494	9,625	-	-	9,625
Key Club	-	24	-	24	-	-	24
Leadership Challenge	-	2,500	320	2,180	-	-	2,180
Library	194	843	328	709	-	-	709
Marching Band	-	794	794	-	-	-	-
NHS	-	1,170	1,154	16	-	-	16
Nat Art Honor Soc Club	-	376	38	338	-	-	338
Orchestra	37	25	-	62	-	-	62
PLTW	-	1,735	1,735	-	-	-	-
PLTW Boat Race	-	500	486	14	-	-	14
Principal's Account	9,747	2,250	4,771	7,226	-	-	7,226
Softball	-	364	-	364	-	-	364
Soft Drinks	1,765	1,535	167	3,133	130	169	3,094
STLP	146	10	27	129	-	-	129
Spanish Club	-	157	157	-	-	-	-
Senior NYC Trip	7,180	35,590	36,984	5,786	-	-	5,786
Student Christmas Shopping	930	11,887	3,938	8,879	-	-	8,879
Swimming	-	-	-	-	-	-	-
Trooper Island Fund	-	625	-	625	-	-	625
Track	90	570	-	660	-	500	160
TSA	613	171	679	105	-	-	105
Vex Robotics	-	55	-	55	-	-	55
Volleyball	-	2,197	2,197	-	-	-	-
Y-Club	30	14,065	14,095	-	-	-	-
TOTALS	\$ 155,626	\$ 423,851	\$ 393,316	\$ 186,161	\$ 2,559	\$ 755	\$ 187,965

CLARK COUNTY SCHOOLS
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Passed Through Kentucky Department of Education			
United States Department of Education			
<i>Special Education Cluster (IDEA)-Cluster</i>			
Special Education_Grants to States			
Special Education_Grants to States	84.027	3810002-17	\$363,267
Special Education_Grants to States	84.027	3810002-16	56,446
Special Education_Grants to States	84.027	3810002-18	893,918
Total Special Education_Grants to States			<u>1,313,631</u>
Special Education_Preschool Grants			
Special Education_Preschool Grants	84.173	3800002-17	44,556
Special Education_Preschool Grants	84.173	3800002-18	6,541
Total Special Education_Preschool Grants			<u>51,097</u>
<i>Total Special Education Cluster (IDEA)-Cluster</i>			<u>1,364,728</u>
Title I Grants to Local Educational Agencies			
Title I Grants to Local Educational Agencies	84.010	3220001-17	2,492
Title I Grants to Local Educational Agencies	84.010	3100002-17	306,759
Title I Grants to Local Educational Agencies	84.010	3220002-17	6,817
Title I Grants to Local Educational Agencies	84.010	3100002-18	1,150,840
Title I Grants to Local Educational Agencies	84.010	3220002-18	6,820
Total Title I Grants to Local Educational Agencies			<u>1,473,728</u>
English Language Acquisition Grants			
English Language Acquisition Grants	84.365	3300002-17	351
English Language Acquisition Grants	84.365	3300002-16	499
English Language Acquisition Grants	84.365	3300002-18	2,682
Total English Language Acquisition Grants			<u>3,532</u>
Migrant Education_State Grant Program			
Migrant Education_State Grant Program	84.011	3110002-17	64,453
Migrant Education_State Grant Program	84.011	3110002-18	100,150
Total Migrant Education_State Grant Program			<u>164,603</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	313E	<u>16,970</u>
Total Title I State Agency Program for Neglected and Delinquent Children and Youth			<u>16,970</u>
Career and Technical Education -- Basic Grants to States			
Career and Technical Education -- Basic Grants to States	84.048	3710002-18	23,884
Career and Technical Education -- Basic Grants to States	84.048	3710002-17	5,739
Career and Technical Education -- Basic Grants to States	84.048	3710006-18	2,106
Total Career and Technical Education -- Basic Grants to States			<u>31,729</u>
Rural Education			
Rural Education	84.358	3140002-17	58,226
Rural Education	84.358	3140002-18	22,910
Total Rural Education			<u>81,136</u>

The accompanying notes are an integral part of this schedule

CLARK COUNTY SCHOOLS
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<hr/>			
Improving Teacher Quality State Grants			
Improving Teacher Quality State Grants	84.367	3230002-17	\$76,103
Improving Teacher Quality State Grants	84.367	3230002-18	131,204
Improving Teacher Quality State Grants	84.367	3230003-17	37,398
Total Improving Teacher Quality State Grants			<u>244,705</u>
Striving Readers/Comprehensive Literacy Development			
Striving Readers/Comprehensive Literacy Development	84.371	S371C170016	331,060
Total Striving Readers/Comprehensive Literacy Development			<u>331,060</u>
Student Support and Academic Enrichment Program			
Student Support and Academic Enrichment Program	84.424	3420002-17	25,834
Student Support and Academic Enrichment Program	84.424	3420002-18	66,903
Total Student Support and Academic Enrichment Program			<u>92,737</u>
Total Department of Education			<u><u>3,804,928</u></u>
United States Department of Agriculture			
National School Lunch Program			
National School Lunch Program	10.555	4001097	201,140
National School Lunch Program	10.555	7750002-18	382,893
National School Lunch Program	10.555	7750002-19	1,768,393
School Breakfast Program	10.553	7760005-18	208,811
School Breakfast Program	10.553	7760005-19	987,267
Child and Adult Care	10.558	7790021-19	7,769
Child and Adult Care	10.558	7800016-19	552
Summer School Feeding Program	10.559	7690024-18	5,787
Summer School Feeding Program	10.559	7690024-19	288
Summer School Feeding Program	10.559	7740023-18	28,021
Summer School Feeding Program	10.559	7740023-19	24,810
Total United States Department of Agriculture			<u><u>3,615,730</u></u>
Department of Defense			
ROTC			
ROTC	12.000	504E	69,100
Total Department of Defense			<u>69,100</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,489,758</u></u>

The accompanying notes are an integral part of this schedule

**CLARK COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Clark County School District under the programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of operations of the Clark 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

- 1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) Clark School District did not elect to use the 10% de minimus indirect cost rate.

NOTE 3 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2019, the District received food commodities totaling \$201,140.

SUMMERS, MCCRARY & SPARKS, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

STUART K. McCRARY, JR., CPA
THOMAS S. SPARKS, CPA
RYAN R. LASKI, CPA

SUSAN A. LACY, CPA
JUSTIN B. NICHOLS, CPA
EMILY N. JACKSON, CPA

LAURENCE T. SUMMERS
1961-1992

INDEPENDENT AUDITOR'S 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 Kentucky State Committee for School District Audits
Members of the Board of Education
Clark County School District
Winchester, KY 40391

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 the Clark 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 Clark 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 the Clark 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 the Clark County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clark 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 the Clark 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 certain matters that we reported to management for the District in a separate letter dated November 12, 2019.

Purpose of this Report

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

Summers, McCrary & Sparks, PSC

Lexington, KY
November 12, 2019

SUMMERS, McCRARY & SPARKS, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

STUART K. McCRARY, JR., CPA
THOMAS S. SPARKS, CPA
RYAN R. LASKI, CPA

SUSAN A. LACY, CPA
JUSTIN B. NICHOLS, CPA
EMILY N. JACKSON, CPA

LAURENCE T. SUMMERS
1961-1992

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

To the Kentucky State Committee for School District Audits
Members for the Board of Education
Clark County School District
Winchester, KY 40391

Report on Compliance for Each Major Federal Program

We have audited the Clark 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 the Clark County School District's major federal programs for the year ended June 30, 2019. Clark County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Clark 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); and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clark 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 the Clark County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Clark 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.

Report on Internal Control over Compliance

Management of the Clark County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Clark 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 Clark 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 a 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.

Summers, McCrary & Sparks, PSC

Lexington, KY
November 12, 2019

**CLARK COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

No findings in the current year.

Section III – Federal Award Findings and Questioned Costs

No findings in the current year.

**CLARK COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

No findings in the prior year.

Section III – Federal Award Findings and Questioned Costs

No findings in the prior year.

SUMMERS, MCCRARY & SPARKS, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

STUART K. McCRARY, JR., CPA
THOMAS S. SPARKS, CPA
RYAN R. LASKI, CPA

SUSAN A. LACY, CPA
JUSTIN B. NICHOLS, CPA
EMILY N. JACKSON, CPA

LAURENCE T. SUMMERS
1961-1992

Members of the Board of Education
Clark County School District
Winchester, Kentucky

In planning and performing our audit of the financial statements of Clark 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.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 12, 2019 on the financial statements of the Clark County School District

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

Respectfully,

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
November 12, 2019

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

BOARD

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

SCHOOL ACTIVITY FUNDS

GEORGE ROGERS CLARK HIGH SCHOOL

Comment: During our testing of cash receipts, we found an instance where students did not sign the Multiple Receipt Form when turning in money. We recommend the bookkeeper and teachers review the "Receipts" section of the "Redbook", which states "Students third grade and above must sign the Multiple Receipt Form."

Response: Management agrees and has addressed the school regarding the findings in this audit comment. The Director of Finance has reviewed the Receipts section of Redbook with the Principal and bookkeeper to ensure these procedures are followed in the future. The District has also implemented the Cloud version of the EPES School Accounting Software giving more oversight of the daily activities. The school had a new bookkeeper that started in January after it was discovered the previous bookkeeper was committing fraudulent activity in regards to the school activity account. The document reviewed is thought to be forged by the previous bookkeeper and would be the reason for the students to not have signed the document. A formal training of Redbook and its requirements has been presented to the GRC Staff as a whole since the discovery of fraud.

Comment: During our testing of cash receipts, we had an instance where the amount deposited could not be verified against the multiple receipt form. We recommend the bookkeeper review the "Receipts" section of the "Redbook", which states, "All money collected by a teacher or sponsor shall be given to the school treasurer on the day collected, or if the money is collected after school business hours for evening or weekend events, on the next business day" & " The school treasurer shall deposit slips containing the issuer's name and the amount of each check or retain a copy of all checks to be deposited. The deposit slip shall note the receipt numbers in the deposit."

Response: Management agrees and has addressed the school regarding the findings in this audit comment. The Director of Finance has reviewed the Receipts section of Redbook with the Principal and bookkeeper to ensure these procedures are followed in the future. The District has also implemented the Cloud version of the EPES School Accounting Software giving more oversight of the daily activities.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

The school had a new bookkeeper that started in January after it was discovered the previous bookkeeper was committing fraudulent activity in regards to the school activity account. The document reviewed is thought to be forged by the previous bookkeeper and would be the reason the amounts could not be verified. A formal training of Redbook and its requirements has been presented to the GRC Staff as a whole since the discovery of fraud. In addition, a night drop safe has been placed in the GRC office area for those staff who need to turn in money after the bookkeeper has left for the day. Those receipts are then processed the next morning after a dual verification of the monies listed on the receipt.

Comment: During our testing of cash receipts, we found several instances of a Multiple Receipt Form or Prenumbered receipt not being given to the school treasurer. We recommend the bookkeeper review the "Receipts" section of the "Redbook" which states a copy of the Multiple Receipt Form or a copy of the pre-numbered receipt shall be retained by the teacher or sponsor and the original shall be given to the school treasurer.

Response: Management agrees and has addressed the school regarding the findings in this audit comment. The Director of Finance has reviewed the Receipts section of Redbook with the Principal and bookkeeper to ensure these procedures are followed in the future. The District has also implemented the Cloud version of the EPES School Accounting Software giving more oversight of the daily activities. The school had a new bookkeeper that started in January after it was discovered the previous bookkeeper was committing fraudulent activity in regards to the school activity account. Several documents reviewed are thought to be forged by the previous bookkeeper and would be the reason for the lack of proper documentation. A formal training of Redbook and its requirements has been presented to the GRC Staff as a whole since the discovery of fraud. In addition, all staff who turns in monies has been asked to keep a copy of what they submitted for at least the three year retention period the district is required to adhere to as well.

Comment: During our testing of cash receipts we found multiple instances of the Multiple Receipt Form (F-SA-6) not signed by the person remitting the money. We recommend the bookkeeper review the Multiple Receipt Form (F-SA-6) in the "Redbook", to familiarize themselves with all sections of the form.

Response: Management agrees and has addressed the school regarding the findings in this audit comment. The Director of Finance has reviewed the Multiple Receipt Form with the Principal and bookkeeper to ensure these procedures are followed in the future.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

The District has also implemented the Cloud version of the EPES School Accounting Software giving more oversight of the daily activities. The school had a new bookkeeper that started in January after it was discovered the previous bookkeeper was committing fraudulent activity in regards to the school activity account. Several of the documents reviewed are thought to be forged by the previous bookkeeper and would be the reason for lack of proper signatures. A formal training of Redbook and its requirements has been presented to the GRC Staff as a whole since the discovery of fraud.

Comment: During our review of receipts, we found an instance of the Sales from Concessions/Bookstore/School Store/Pencil Machine Form (Form F-SA-17) was not signed by the individual preparing the form. We recommend the bookkeeper review the "Receipts" section of the "Redbook", which states the Sales from Concessions/Bookstore/School Store/Pencil Machine Form shall be signed by the individual preparing the form and by the school treasurer.

Response: Management agrees and has addressed the school regarding the findings in this audit comment. The Director of Finance has reviewed the Receipts section of Redbook with the Principal and bookkeeper to ensure these procedures are followed in the future. The District has also implemented the Cloud version of the EPES School Accounting Software giving more oversight of the daily activities. The school had a new bookkeeper that started in January after it was discovered the previous bookkeeper was committing fraudulent activity in regards to the school activity account. Several of the documents reviewed are thought to be forged by the previous bookkeeper and would be the reason for lack of proper signatures. A formal training of Redbook and its requirements has been presented to the GRC Staff as a whole since the discovery of fraud.

Comment: During our review of the end of year reports, we found the Accounts Receivable and Accounts Payable (Form F-SA-15B) was not completed, and based upon our review of subsequent period disbursements, we found multiple accounts payable and accounts receivable. We recommend the bookkeeper review the "Reports" section of the "Redbooks, which states several reports are filled out by the treasurer each month, including Accounts Receivable and Accounts Payable (Form F-SA-15B), and "Appendix D: Monthly Reports" section of the "Redbook", which states for payables, this report should only list unpaid invoices dated on or before the end of the month.

Response: Management agrees and has addressed the school regarding the findings in this audit comment. The Director of Finance has reviewed the Reports section and Appendix D of Redbook with the Principal and bookkeeper to ensure these procedures are followed in the future.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

The District has also implemented the Cloud version of the EPES School Accounting Software giving more oversight of the daily activities. The school had a new bookkeeper that started in January and has since received annual Redbook training and will watch these items going forward for compliance.

Comment: During our review of the Annual Financial Report and after applying the year end Accounts Payable and Accounts Receivable balances, we found two activity accounts that ended the year with a negative balance. We recommend the bookkeeper review the "Reports" section of the "Redbook", which states individual school activity accounts shall not end the fiscal year with a negative balance.

Response: Management agrees and has addressed the school regarding the findings in this audit comment. The Director of Finance has reviewed the Reports section of Redbook with the Principal and bookkeeper to ensure these procedures are followed in the future. The District has also implemented the Cloud version of the EPES School Accounting Software giving more oversight of the daily activities. The school had a new bookkeeper that started in January and has since received annual Redbook training and will watch these items going forward for compliance.

SHEARER ELEMENTARY

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

CAMPBELL JR. HIGH

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

WILLIS H. JUSTICE ELEMENTARY

Comment: During our review of receipts we noted multiple deposits that were missing the receipt numbers included in the deposit. We recommend the bookkeeper review the "Receipts" section of the "Redbook" which states the deposit slip shall note the receipt numbers in the deposit.

Response: Management agrees and has addressed the school regarding the findings in this audit comment. The Director of Finance has reviewed the Receipts section of Redbook with the Principal and bookkeeper to ensure these procedures are followed in the future. The District has also implemented the Cloud version of the EPES School Accounting Software giving more oversight of the daily activities.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

Comment: During our review of cash we noted multiple bank reconciliations were not completed in a timely manner. We recommend the bookkeeper review the "Reports" section of the "Redbook", which states upon receipt of the monthly student activity fund account bank statement, the statement balance is to be reconciled to the monthly report.

Response: Management agrees and has addressed the school regarding the findings in this audit comment. The Director of Finance has reviewed the Reports section of Redbook with the Principal and bookkeeper to ensure these procedures are followed in the future. The District has also implemented the Cloud version of the EPES School Accounting Software giving more oversight of the daily activities. The bookkeeper was out several times during the fiscal year for medical reasons which hindered the timely completion of monthly reconciliations. In the future, if this situation occurs at any school, district staff will assist the school in completing procedures in a timely manner.

Comment: During our review of fundraisers, we found the Fundraiser Worksheet (F-SA-2B) was not completed for each fundraiser, and when it was completed, the forms were missing the sponsor's signature. We Recommend the Principal review the "Receipts" section of the "Redbook", which states the activity sponsor shall complete the Fundraiser Worksheet (F-SA-2B) and forward the report to the Principal for review and filing within one week of the completion of the fundraising period or event. The Principal and club sponsors should review the Fundraiser Worksheet (F-SA-2b) to ensure they are familiar with all aspects of the form.

Response: Management agrees and has addressed the school regarding the findings in this audit comment. The Director of Finance has reviewed the Receipts section of Redbook with the Principal and bookkeeper to ensure these procedures are followed in the future. The District has also implemented the Cloud version of the EPES School Accounting Software giving more oversight of the daily activities.

STRODE STATION ELEMENTARY

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

CONKWRIGHT ELEMENTARY SCHOOL

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

BAKER INTERMEDIATE

Comment: During our review of the end of year reports, we found the Accounts Receivable and Accounts Payable (Form F-SA-15B) was not completed, and based upon our review of subsequent period disbursements, we found multiple accounts payable. We recommend the bookkeeper review the "Reports" section of the "Redbooks, which states several reports are filled out by the treasurer each month, including Accounts Receivable and Accounts Payable (Form F-SA-15B), and "Appendix D: Monthly Reports" section of the "Redbook", which states for payables, this report should only list unpaid invoices dated on or before the end of the month.

Response: Management agrees and has addressed the school regarding the findings in this audit comment. The Director of Finance has reviewed the Reports section of Redbook with the Principal and bookkeeper to ensure these procedures are followed in the future. The District has also implemented the Cloud version of the EPES School Accounting Software giving more oversight of the daily activities. The school had a new bookkeeper this fiscal year and has since received annual Redbook training and will watch these items going forward for compliance.

STATUS OF PRIOR YEAR COMMENTS

BOARD

- Previously, during testing of cash disbursements we noted a few instances of Purchase Orders not being approved prior to incurring the associated expense, or the Purchase Order was approved for an amount less than the actual expense. No similar finding occurred in the current year.

GEORGE ROGERS CLARK HIGH SCHOOL

- Previously, during our review of the AFR we noted multiple accounts that did not have activity during the preceding 12 months. We recommend the bookkeeper and Principal review the "Inactive Account Balances" section of the "Redbook", which states an activity account will be considered inactive if there has been no activity during the preceding 12 months. When an account has become inactive, its funds need to be transferred to an account designated in writing by the student organization or the funds shall be transferred to the school activity general account. No similar finding occurred in the current year.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

CAMPBELL JR. HIGH

- Previously, during our review of the AFR we noted multiple accounts that did not have activity during the preceding 12 months. We recommend the bookkeeper and Principal review the “Inactive Account Balances” section of the “Redbook”, which states an activity account will be considered inactive if there has been no activity during the preceding 12 months. When an account has become inactive, its funds need to be transferred to an account designated in writing by the student organization or the funds shall be transferred to the school activity general account. No similar finding occurred in the current year.

WILLIS H. JUSTICE ELEMENTARY

- Previously, during our review of the AFR we noted an account that did not have activity during the preceding 12 months. We recommend the bookkeeper and Principal review the “Inactive Account Balances” section of the “Redbook”, which states an activity account will be considered inactive if there has been no activity during the preceding 12 months. When an account has become inactive, its funds need to be transferred to an account designated in writing by the student organization or the funds shall be transferred to the school activity general account. No similar finding occurred in the current year.
- Previously, during our review of receipts we noted multiple deposits that were missing the receipt numbers included in the deposit. We recommend the bookkeeper review the “Receipts” section of the “Redbook” which states the deposit slip shall note the receipt numbers in the deposit. A similar finding occurred in the current year.
- Previously, during our review of cash disbursements we noted multiple instances where refunds to students were not done on the proper form. We recommend the bookkeeper review the “Expenditures” section on the “Redbook” which states if there is a need to reimburse or refund monies to students, use the Student Refund/Disbursement Form (F-SA-14). No similar finding occurred in the current year.

CONKWRIGHT ELEMENTARY SCHOOL

- Previously, during our review of the AFR we noted an account that did not have activity during the preceding 12 months. We recommend the bookkeeper and Principal review the “Inactive Account Balances” section of the “Redbook”, which states an activity account will be considered inactive if there has been no activity during the preceding 12 months.

**CLARK COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

When an account has become inactive, its funds need to be transferred to an account designated in writing by the student organization or the funds shall be transferred to the school activity general account. No similar finding occurred in the current year.

BAKER INTERMEDIATE

- Previously, during our review of the AFR we noted multiple accounts that did not have activity during the preceding 12 months. We recommend the bookkeeper and Principal review the “Inactive Account Balances” section of the “Redbook”, which states an activity account will be considered inactive if there has been no activity during the preceding 12 months. When an account has become inactive, its funds need to be transferred to an account designated in writing by the student organization or the funds shall be transferred to the school activity general account. No similar finding occurred in the current year.