

**ELLIOTT COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2019

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Elliott County School District
Sandyhook, KY
and the State Committee for School District Audits

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elliott 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 Elliott County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 Districts' 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 Elliott 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, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and KTRS and Medical and Life and Health Insurance Plans comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elliott 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 Title 2 U.S. Code of Federal Regulations 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 expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2019, on our consideration of the Elliott County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Elliott County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Elliott County School District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky
November 10, 2019

ELLIOTT COUNTY PUBLIC SCHOOL DISTRICT
SANDY HOOK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019

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

FINANCIAL HIGHLIGHTS

- The beginning General Fund balance for the District was \$394,440 and ending with \$628,759.
- The district utilized KISTA financing to purchase 2 new busses.
- The district was able to cut cost for administrative and other salaries by combining duties for vacant positions with those of current employees. This resulted in a 22% decrease of district administrative expenditures.
- The General Fund had \$9.71 million in revenue, which primarily consisted of the SEEK program, property, utility and motor vehicle taxes. There were \$9.46 million expenditures in General Fund.
- The Board utilized the option provided in House Bill 269 to use Capital Outlay fund for technology, KISTA payments and property insurance expenditures. The available funds totaled \$64,470.
 - \$43,941 property insurance
 - \$9,027 Chromebooks
 - \$11,502 KISTA payment
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. There were no new building bonds issued in FY19.

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. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found in the table of contents 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 in the table of contents 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Table 1
Net Position (in Millions)

	Governmental		Business-type		Total		Total Percentage Change 2017-2018
	Activities		Activities		School District		
	2018	2019	2018	2019	2018	2019	
Assets:							
Current and Other Assets	0.51	0.74	0.27	0.33	0.78	1.07	37%
Capital Assets	21.38	20.89	.02	.01	21.40	20.90	-2%
Total Assets	21.89	21.63	0.29	0.35	22.18	21.97	-1%
Deferred Outflows							
	1.46	1.20	0.05	0.04	1.51	1.25	-17%
	1.46	1.20	0.05	0.04	1.51	1.25	
Liabilities:							
Current Liabilities	1.10	0.94			1.10	0.94	-14%
Noncurrent Liabilities	16.71	15.71	0.16	0.17	16.87	15.75	-7%
Total Liabilities	17.81	16.52	0.16	0.17	17.97	16.69	-7%
Deferred Inflows							
	0.44	0.95	0.02	0.02	0.46	0.97	110%
	0.44	0.95	0.02	0.02	0.46	0.97	
Net Position:							
Invested in Capital Assets							
Net of Debt	10.44	10.66		0.01	10.46	10.67	2%
Restricted	0	0.03	0.15	0.19	0.15	0.22	46%
Unrestricted Net Position	-5.34	-5.48			-5.34	-5.48	-3%
Total Net Position	5.10	5.21	0.15	0.20	5.27	5.41	3%

SEE SCHEDULE OF CHANGES IN NET POSITION ON NEXT PAGE

Changes in Net Position (in millions)		Governmental Activities		Business-Type Activities		Total School District		Total Percent age Change 2018 - 2019
		2018	2019	2018	2019	2018	2019	
Revenues:								
	Charges for services	\$ 0.07	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.12	\$ 0.10	-16%
	Operating grants and contributions	4.15	1.50	0	0.84	4.15	2.30	44%
	Capital grants and contributions	0.91	0.90			0.91	0.90	-1%
	General revenues	6.92	9.58	0.84	(0.04)	7.76	9.54	23%
	Total revenue	12.05	12.03	0.89	0.85	12.94	12.88	.5%
Expenses:								
	Instruction	7.12	7.13			7.12	7.13	.2%
	Student	0.08	0.11			0.08	0.11	37%
	Instructional staff	0.23	0.23			0.23	0.23	0%
	District administration	0.62	0.48			0.62	0.48	22%
	School administration	0.51	0.57			0.51	0.57	12%
	Business	0.44	0.43			0.44	0.43	-2%
	Plant operation & maintenance	0.99	0.98			0.99	0.98	-1%
	Student transportation	0.78	0.76			0.78	0.76	-2%
	Land Improvements	-	-					0%
	Facilities acquisition and construction	-	-					0%
	Community services operations	0.20	0.21			0.20	0.21	5%
	Amortization	0.02	0.02			0.02	0.02	0%
	Depreciation	0.71	0.71			0.71	0.71	0%
	Interest on long-term debt	0.30	0.29			0.30	0.29	-3%
	Debt service	-	-					0%
	Food Service Operations	-	-	0.81	0.81	0.81	0.81	0%
	Extraordinary Item	-	-					-
	Total Expenses	\$ 12.00	\$ 11.92	0.81	0.81	\$12.81	\$12.73	.5%
Change in net position		\$ 0.05	\$ 0.11	\$ 0.08	\$ 0.04	\$ 0.13	\$0.15	15%

DEBT

Debt decreased from 2018 by .72 million. Please see table below.

		Outstanding Debt at Year-End (in Millions)	
		2018	2019
	Government Activities		
Capital Lease Obligations	\$	0.72	\$ 0.76
General Obligation Bonds		10.23	9.47
Total Obligations	\$	10.95	\$ 10.23

CAPITAL ASSETS

At the end of fiscal 2019, the District had \$20.9 million invested in capital assets, including land, improvements, and construction in progress.

Capital Assets at Year-End
(Net of depreciation in millions)

	Governmental Activities		Business Type Activities		Totals	
	2018	2019	2018	2019	2018	2019
Land	0.45	0.45	-	-	0.45	0.45
Land and Improvements	0.05	0.04	-	-	0.05	0.04
Buildings & Improvements	20.22	19.74	-	-	20.22	19.74
Technology Equipment	-	-	-	-	-	-
Vehicles	0.59	0.57	-	-	0.59	0.57
General Equipment	0.07	0.08	0.02	0.01	0.09	0.09
Construction In Progress	0.00	0.00	-	-	0.00	0.00

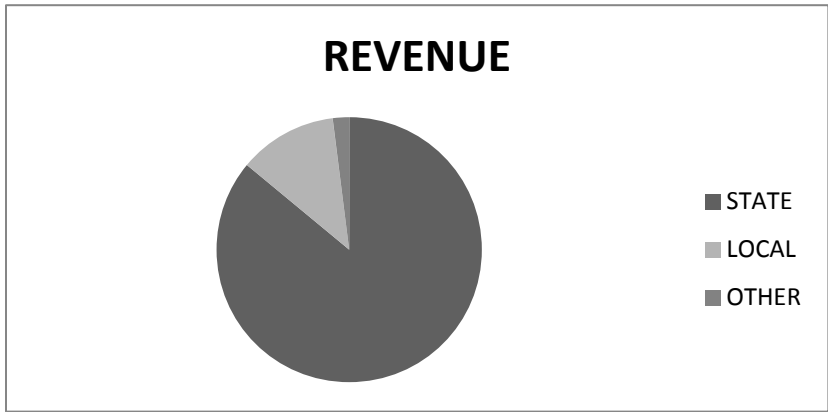
Comments on Budget Comparisons

Actual revenues and expenditures for the General Fund contain \$2.5 million dollars in payments made on-behalf of the District by the State of Kentucky. Our District will remain conservative in future budgets because of the current economic climate. The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2019.

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	1.29	.07	-	.10	-	-	0.05
State Revenue Sources	8.09	.49	.09	.28	-	.53	0.06
Federal Revenue Sources	0.02	1.00	-	-	-	-	0.79
Other	0.19	-	-	-	-	-	-
Transfers	0.12	0.02	-	-	-	0.47	-
TOTALS	9.71	1.59	.09	.38	-	1.00	.90
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Instruction	5.59	1.21	-	-	-	-	-
Student Support Services	0.11	-	-	-	-	-	-
Instructional Staff Support Services	0.11	0.12	-	-	-	-	-
District Admin Support	0.48	-	-	-	-	-	-
School Admin Support	0.57	-	-	-	-	-	-
Business Support Services	0.37	0.06	-	-	-	-	-
Plant Operation & Management	0.97	0.03	-	-	-	-	-
Student Transportation	0.95	-	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-	0.80
Community Services	0.03	0.18	-	-	-	-	-
Debt Service	0.19	-	-	-	-	1.00	-
Site Improvement	-	-	-	-	-	-	-
Transfers	0.09	-	0.09	0.38	-	-	0.05
TOTALS	9.46	1.60	0.09	0.38	-	1.00	0.85
Excess / (Deficit)	0.25	(0.01)	-	-	-	-	0.09

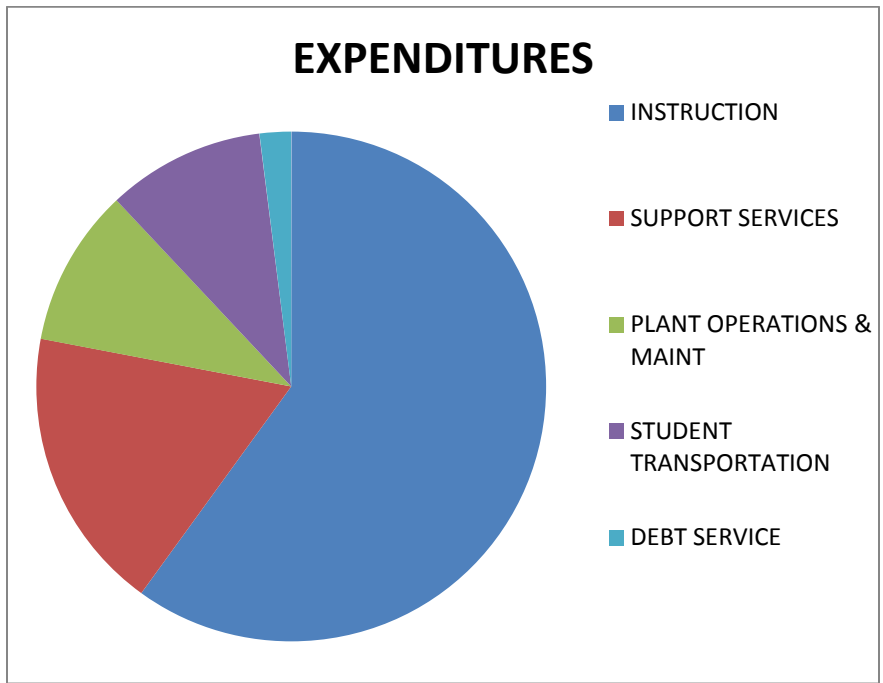
General Fund Revenue Chart 1

The majority of revenue was derived from state funding (86%), with local taxes making up 12% of total revenue.



General Fund Expenditures Chart 2

The majority of revenue is spent on instructional expenditures, this consumes 60% of the budget. The instruction function included the SBDM expenditures for staff and supplies. Support services make up 18%, which includes services for students, instructional staff, district administration, school administration and business. Plant operations and management makes up 10%. Student transportation makes up 8%. Debt Service is 2%. Food Service operations and community services make up less than one percent.



Special Revenue Fund Revenue/Expenditures

The majority of revenue was derived from Federal Sources (64 %) with the state revenue making up 31% and local source providing 5%. The function with the greatest expenditures is instruction at 76%.

Other Governmental Funds Revenue/Expenditures

The main other governmental funds are capital outlay fund, and building fund (FSPK). State funding makes up the capital outlay and the building fund consists of state and local revenues. During the FY19 school year these funds were used to make bond payments on existing debt, with the exception of \$64,470 capital funds which were used for property insurance, laptops, and KISTA payments as approved per HB 267.

School Food Service Fund Revenue/Expenditures

The revenue is received from local, state, and federal monies. The largest being federal which makes up 87% of the budget.

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The beginning General fund balance for the fiscal year was \$394,440. The ending fund balance was \$628,759.

Elliott County Public Schools continued to receive the Read To Achieve grant. It has continued to provide support teachers in the implementation of instructional strategies to address the needs of students reading at low levels at Isonville Elementary and Lakeside Elementary. The Math Achievement grant provided funds for support teachers and the implementation of services that address the needs of students who are struggling with math. Its impact involved Isonville Elementary and Sandy Hook Elementary.

Questions regarding this report should be directed to the Superintendent Debbie Stephens or Kristen Salyers, Finance Officer at 606-738-8002 or by mail at Elliott County Board of Education, PO Box 767, Sandy Hook, KY 41171.

Elliott County School District
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 614,458	\$ 321,044	\$ 935,502
Receivables			
Taxes-current	60,370		60,370
Taxes-delinquent	4,744		4,744
Accounts	37,149	5,730	42,879
Intergovernmental-state	5,102		5,102
Intergovernmental-federal	14,386		14,386
Inventories		7,658	7,658
Capital assets:			
Land and construction in progress	452,007		452,007
Other capital assets, net of depreciation	20,435,870	14,086	20,449,956
Total capital assets	<u>20,887,877</u>	<u>14,086</u>	<u>20,901,963</u>
Total assets	<u>21,624,086</u>	<u>348,518</u>	<u>21,972,604</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	735,979	34,441	770,420
Deferred outflows related to OPEB	374,444	8,640	383,084
Deferred savings from refunding bonds	104,927		104,927
Total deferred outflows of resources	<u>1,215,350</u>	<u>43,081</u>	<u>1,258,431</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>22,839,436</u>	<u>391,599</u>	<u>23,231,035</u>
LIABILITIES			
Accounts payable and accrued expenses	5,335		5,335
Accrued interest payable	81,103		81,103
Unearned revenue	73,833		73,833
Long-term liabilities:			
Due within 1 year:			
Sick leave	43,068		43,068
Bond obligations	710,000		710,000
Capital lease obligations	165,667		165,667
KSBIT payable	21,942		21,942
Total due within 1 year	<u>940,677</u>	<u>-</u>	<u>940,677</u>
Due in more than 1 year:			
Bond obligations	8,758,505		8,758,505
Capital lease obligations	592,363		592,363
Sick leave	48,406		48,406
KSBIT payable	119,727		119,727
Net pension liability	2,740,648	128,251	2,868,899
Net OPEB liability	3,322,173	37,398	3,359,571
Total due in more than 1 year	<u>15,581,822</u>	<u>165,649</u>	<u>15,747,471</u>
Total liabilities	<u>16,682,770</u>	<u>165,649</u>	<u>16,848,419</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	333,414	15,602	349,016
Deferred inflows related to OPEB	616,269	8,670	624,939
Total deferred inflows of resources	<u>949,683</u>	<u>24,272</u>	<u>973,955</u>
Net Investment in capital assets	10,661,342	14,086	10,675,428
Restricted for:			
Capital projects	208		208
District activity	28,074		28,074
Food services		187,592	187,592
Unrestricted (deficit)	<u>(5,482,641)</u>		<u>(5,482,641)</u>
Total net position	<u>5,206,983</u>	<u>201,678</u>	<u>5,408,661</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 22,839,436</u>	<u>\$ 391,599</u>	<u>\$ 23,231,035</u>

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 7,129,904	\$ -	\$ 1,027,158	\$ -	\$ (6,102,746)		\$ (6,102,746)
Support Services							
Student	108,732	10,679	13,721		(84,332)		(84,332)
Instructional Staff	232,355		29,321		(203,034)		(203,034)
District Administration	480,791		60,671		(420,120)		(420,120)
School Administration	574,249		72,465		(501,784)		(501,784)
Business	432,598		54,590		(378,008)		(378,008)
Plant Operation & Maintenance	978,289	1,100	123,450	373,221	(480,518)		(480,518)
Student Transportation	761,664	39,305	96,115		(626,244)		(626,244)
Community Services Operations	207,593		26,196		(181,397)		(181,397)
Amortization	19,120				(19,120)		(19,120)
Depreciation*	706,411				(706,411)		(706,411)
Interest on long-term debt	284,323			526,624	242,301		242,301
Total governmental activities	<u>11,916,029</u>	<u>51,084</u>	<u>1,503,686</u>	<u>899,845</u>	<u>(9,461,414)</u>		<u>(9,461,414)</u>
Business-type activities:							
Food service operations	812,797	52,742	842,488			\$ 82,433	82,433
Depreciation	2,029					(2,029)	(2,029)
Total business-type activities	<u>814,826</u>	<u>52,742</u>	<u>842,488</u>	<u>-</u>	<u>-</u>	<u>80,404</u>	<u>80,404</u>
Total primary government	<u>\$ 12,730,855</u>	<u>\$ 103,826</u>	<u>\$ 2,346,174</u>	<u>\$ 899,845</u>	<u>(9,461,414)</u>	<u>80,404</u>	<u>(9,381,010)</u>
General revenues:							
Taxes:							
Property taxes					784,586		784,586
Motor vehicle taxes					163,629		163,629
Utility taxes					300,646		300,646
State and formula grants					8,105,692		8,105,692
Other local revenue					154,035		154,035
Unrestricted investment earnings					21,829	7,407	29,236
Transfers					48,000	(48,000)	-
Total general revenues and transfers					<u>9,578,417</u>	<u>(40,593)</u>	<u>9,537,824</u>
Change in net position					117,003	39,811	156,814
Net Position - beginning					5,089,980	161,867	5,251,847
Net Position - ending					<u>\$ 5,206,983</u>	<u>\$ 201,678</u>	<u>\$ 5,408,661</u>

*Unallocated depreciation that excludes depreciation which is included in the direct expenses of various programs, if any.

See the accompanying notes to the financial statements.

Elliott County School District
Balance Sheet
Governmental Funds
June 30, 2019

	Governmental Funds				
	General	Special Revenue	Debt Service	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 525,729	\$ 88,521	\$ -	\$ 208	\$ 614,458
Receivables					
Taxes-current	60,370				60,370
Taxes-delinquent	4,744				4,744
Accounts	37,149				37,149
Intergovernmental-state	5,102				5,102
Intergovernmental-federal		14,386			14,386
Total assets	633,094	102,907	-	208	736,209
LIABILITIES					
Accounts payable and accrued expenses	4,335	1,000			5,335
Unearned revenue		73,833			73,833
Total liabilities	4,335	74,833	-	-	79,168
FUND BALANCE					
Restricted		28,074		208	28,282
Unassigned	628,759				628,759
Total fund balance	628,759	28,074	-	208	657,041
TOTAL LIABILITIES AND FUND BALANCE	\$ 633,094	\$ 102,907	\$ -	\$ 208	\$ 736,209

See the accompanying notes to the financial statements.

Elliott County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2019

Fund balances-total governmental funds	\$	657,041
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		20,887,877
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus		104,927
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(81,103)
Bond obligations		(9,468,505)
Capital lease obligations		(758,030)
KSBIT payable		(141,669)
Sick leave liability		(91,474)
Net pension liability		(2,740,648)
Net OPEB liability		(3,322,173)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to pensions		735,979
Deferred outflows related to OPEB		374,444
Deferred inflows related to pensions		(333,414)
Deferred inflows related to OPEB		(616,269)
		(616,269)
Net position of governmental activities	\$	<u><u>5,206,983</u></u>

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	Governmental Funds				
	General	Special Revenue	Debt Service	Other Governmental Funds	Total
REVENUES					
From Local Sources					
Taxes					
Property	\$ 679,899	\$ -	\$ -	\$ 104,687	\$ 784,586
Motor vehicle	163,629				163,629
Utilities	300,646				300,646
Earnings on investments	21,674	155			21,829
Student activities	1,709	8,970			10,679
Transportation	39,305				39,305
Other local revenue	85,862	68,173			154,035
Intergovernmental - state	8,085,639	493,047	526,624	373,221	9,478,531
Intergovernmental - federal	20,053	1,010,639			1,030,692
Total revenues	9,398,416	1,580,984	526,624	477,908	11,983,932
EXPENDITURES					
Instruction	5,593,784	1,210,105			6,803,889
Support Services					
Student	106,037	2,695			108,732
Instructional Staff	109,235	123,120			232,355
District Administration	480,791				480,791
School Administration	574,249				574,249
Business	373,068	59,530			432,598
Plant Operation & Maintenance	971,863	26,126			997,989
Student Transportation	950,456				950,456
Community Services Operations	31,592	176,001			207,593
Debt Service	193,650		1,002,924		1,196,574
Total expenditures	9,384,725	1,597,577	1,002,924	-	11,985,226
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,691	(16,593)	(476,300)	477,908	(1,294)
OTHER FINANCING SOURCES (USES)					
Sale of equipment	1,100				1,100
Capital lease proceeds	189,965				189,965
Transfers in	118,982	20,045	476,300		615,327
Transfers (out)	(89,419)			(477,908)	(567,327)
Total other financing sources and (uses)	220,628	20,045	476,300	(477,908)	239,065
NET CHANGE IN FUND BALANCES	234,319	3,452	-	-	237,771
FUND BALANCE-BEGINNING	394,440	24,622	-	208	419,270
FUND BALANCE-ENDING	\$ 628,759	\$ 28,074	\$ -	\$ 208	\$ 657,041

See the accompanying notes to the financial statements.

Elliott County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities**
Year ended June 30, 2019

Net change in fund balances-total governmental funds	\$	237,771
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions less costs of benefits earned net employee contributions		(184,447)
<p>Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.</p>		
District OPEB contributions less costs of benefits earned net employee contributions		(116,675)
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		
		(497,919)
<p>The premium paid for the sale of bonds is expensed under the current financial resources, but is the premium paid for the sale of bonds is capitalized and amortized over the life of the bonds in the statement of net position.</p>		
		(1,876)
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		
		(19,120)
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		
		723,880
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued interest payable		282
KSBIT payable		21,475
Noncurrent sick leave payable		(46,368)
		(24,611)
Change in net position of governmental activities	\$	117,003

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 692,000	\$ 692,000	\$ 679,899	\$ (12,101)
Motor vehicle	170,218	170,218	163,629	(6,589)
Unmined minerals	1,000	1,000	-	(1,000)
Utilities	290,000	290,000	300,646	10,646
Earnings on investments	6,000	6,000	21,674	15,674
Student activities			1,709	1,709
Transportation	30,000	30,000	39,305	9,305
Other local revenue	66,026	66,026	85,862	19,836
Intergovernmental - state	5,587,120	5,587,120 *	5,528,089	(59,031)
Intergovernmental - federal	20,000	20,000	20,053	53
Total revenues	<u>6,862,364</u>	<u>6,862,364</u>	<u>6,840,866</u>	<u>(21,498)</u>
EXPENDITURES				
Instruction	3,965,755	3,965,755 *	3,475,696	490,059
Support Services				
Student	84,117	84,117	106,037	(21,920)
Instructional Staff	95,753	95,753	109,235	(13,482)
District Administration	350,880	350,880 *	282,415	68,465
School Administration	381,303	381,303 *	533,404	(152,101)
Business	296,738	296,738	373,068	(76,330)
Plant Operation & Maintenance	959,912	959,912 *	898,090	61,822
Student Transportation	678,396	678,396 *	823,988	(145,592)
Community Services Operations	41,327	41,327	31,592	9,735
Debt Service	193,921	193,921	193,650	271
Total expenditures	<u>7,048,102</u>	<u>7,048,102</u>	<u>6,827,175</u>	<u>220,927</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(185,738)	(185,738)	13,691	199,429
OTHER FINANCING SOURCES (USES)				
Sale of equipment	2,500	2,500	1,100	(1,400)
Capital lease proceeds			189,965	189,965
Transfers in	55,000	55,000	118,982	63,982
Transfers (out)	(78,135)	(78,135)	(89,419)	(11,284)
Total other financing sources and (uses)	<u>(20,635)</u>	<u>(20,635)</u>	<u>220,628</u>	<u>241,263</u>
NET CHANGE IN FUND BALANCES	(206,373)	(206,373)	234,319	440,692
FUND BALANCE-BEGINNING	<u>386,373</u>	<u>386,373</u>	<u>394,440</u>	<u>8,067</u>
FUND BALANCE-ENDING	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 628,759</u>	<u>\$ 448,759</u>

* The on-behalf payments (please see the accompanying notes to the financial statements) were not budgeted, therefore, to better compare the actual to the budgeted amounts these amounts were deducted from both revenue and expenditures in the amount of \$2,557,550.

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From Local Sources				
Earnings on investments	\$ -	\$ -	\$ 155	\$ 155
Student activities			8,970	8,970
Other local revenue	30,557	35,800	68,173	32,373
Intergovernmental - state	484,704	487,041	493,047	6,006
Intergovernmental - federal	971,040	964,962	1,010,639	45,677
Total revenues	1,486,301	1,487,803	1,580,984	93,181
EXPENDITURES				
Instruction	1,144,098	1,143,263	1,210,105	(66,842)
Support Services				
Student			2,695	(2,695)
Instructional Staff	108,010	108,010	123,120	(15,110)
Business	30,544	30,544	59,530	(28,986)
Plant Operation & Maintenance	30,026	30,026	26,126	3,900
Community Services Operations	188,895	191,232	176,001	15,231
Total expenditures	1,501,573	1,503,075	1,597,577	(94,502)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,272)	(15,272)	(16,593)	(1,321)
OTHER FINANCING SOURCES (USES)				
Transfers in	15,272	15,272	20,045	4,773
Total other financing sources and (uses)	15,272	15,272	20,045	4,773
NET CHANGE IN FUND BALANCES	-	-	3,452	3,452
FUND BALANCE-BEGINNING	-	-	24,622	24,622
FUND BALANCE-ENDING	\$ -	\$ -	\$ 28,074	\$ 28,074

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Net Position
Proprietary Fund
June 30, 2019

		School Food Services
ASSETS		
Cash and cash equivalents	\$	321,044
Receivables		5,730
Inventories		7,658
Capital assets:		
Other capital assets, net of depreciation		14,086
Total assets		<u>348,518</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		34,441
Deferred outflows related to OPEB		8,640
Total deferred outflows of resources		<u>43,081</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u><u>391,599</u></u>
 LIABILITIES		
Net pension liability		128,251
Net OPEB liability		37,398
Total liabilities		<u>165,649</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		15,602
Deferred inflows related to OPEB		8,670
Total deferred inflows of resources		<u>24,272</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		<u>189,921</u>
 NET POSITION		
Net Investment in capital assets		14,086
Restricted		187,592
Total net position		<u>201,678</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$	<u><u>391,599</u></u>

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2019

		School Food Services
OPERATING REVENUES		
Lunchroom sales	\$	52,742
Total operating revenues		<u>52,742</u>
OPERATING EXPENSES		
Depreciation		2,029
Food service operations		
Salaries and benefits		315,343
Operational		497,454
Total operating expenses		<u>814,826</u>
Operating income (loss)		(762,084)
NONOPERATING REVENUES (EXPENSES)		
Federal grants		785,344
State grants		57,144
Transfers		(48,000)
Earnings from investments		7,407
Total nonoperating revenues (expenses)		<u>801,895</u>
CHANGE IN NET POSITION		39,811
NET POSITION-BEGINNING		<u>161,867</u>
NET POSITION-ENDING	\$	<u><u>201,678</u></u>

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2019

	<u>School Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 52,742
Payments to suppliers	(474,761)
Payments to employees	(315,343)
Net cash provided (used) by operating activities	<u>(737,362)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants and contributions	842,488
Transfers to other funds	(48,000)
Net cash provided (used) by noncapital financing activities	<u>794,488</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	-
Net cash provided (used) by capital financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	7,407
Net cash provided (used) by investing activities	<u>7,407</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	64,533
CASH BALANCE-BEGINNING	<u>256,511</u>
CASH BALANCE-ENDING	<u><u>321,044</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(762,084)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,029
Changes in assets and liabilities:	
Receivables	(1,593)
Inventory	2,206
Deferrals pension	7,485
Deferrals OPEB	7,659
Pension liability	10,278
OPEB liability	(3,120)
Accounts payable and accrued expenses	(222)
Net cash provided (used) by operating activities	<u>\$ (737,362)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$54,928 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$57,144 provided by state government.

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	SCHOOL ACTIVITY FUND	PRIVATE PURPOSE TRUST	FIDUCIARY FUNDS
ASSETS			
Cash and cash equivalents	\$ 91,810	\$ 105,809	\$ 197,619
Accounts receivable	100		100
Total assets	91,910	105,809	197,719
LIABILITIES			
Accounts payable	1,337		1,337
Due to student groups	90,573		90,573
Total liabilities	91,910	-	91,910
NET POSITION HELD IN TRUST			
Permanent fund		105,809	105,809
Total net position held in trust	-	105,809	105,809
TOTAL LIABILITIES AND NET POSITION HELD IN TRUST	\$ 91,910	\$ 105,809	\$ 197,719

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Changes in Net Position
Fiduciary Fund
Year ended June 30, 2019

		<u>Private Purpose Trust</u>
Additions		
Earnings on Investments	\$	2,541
Deductions		
Benefits paid		<u>-</u>
Change in net position		2,541
Net position held in trust, beginning		<u>103,268</u>
Net position held in trust, ending	\$	<u><u>105,809</u></u>

See accompanying notes to the financial statements.

ELLIOTT COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Elliott 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 District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the 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

Elliott County Board of Education Finance Corporation

The Board authorized establishment of the Elliott County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Elliott County Board of Education.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

The General Fund is the main 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 always a major fund of the District.

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Capital Project Funds

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

SEEK Capital Outlay Fund

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

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(D) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

The District applies all GASB pronouncements to proprietary funds.

III. Fiduciary Fund Types

Agency Funds

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 "Accounting Procedures for Kentucky School Activity Funds," except for those accounted through the central office.

Private Purpose Trust

Private Purpose Trusts are maintained within MUNIS and account for revenues generated by trusts set up to benefit a specific location in Elliott County. An endowment was established February 1, 2010 by a grant of \$100,000 from the W. Paul and Lucille Caudill Little Foundation, Inc. to provide \$5,000 in operating costs per year to the Adkins-Caudill Performing Arts Center. It was to be held in a separately managed fiduciary account permanently designated for the Adkins-Caudill Performing Arts Center. This is a major fund of the District.

The original principal received remains in the net position on the statement of net position and is restricted for the trust principal. The net appreciation on investments available for expenditures is included in the restricted spendable net position on the statement of net position. The District's policy is to spend only investment income for the purposes of the Trust.

The District has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the District classifies as restricted permanent nonspendable (a) the original value of the gift donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanent nonspendable net position is classified as restricted permanent spendable net position until those amounts are appropriated for expenditure by the District in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the District considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the District
- The investment policies of the District

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2019 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

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 government funds. These assets are reported in the government activities column of the government-wide financial Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

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

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

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

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 judgment, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension and OPEB 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,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were \$.453 per \$100 valuation of real property, \$.453 per \$100 valuation for business personal property and \$.565 per \$100 valuation for motor vehicles.

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

Operating and Non-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 the various schools.

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations, and local governments, are used to match federal and state administered funding on various grants. The amounts of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

Contributions of Capital

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

Inter-fund Receivables/Payables

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

Interfund Transfers

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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's pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

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 two types of deferred inflows related to the net difference projected and actual earnings on pension and OPEB plan investments.

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 pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than OPEBs (OPEB)

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

Bond and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, all amendments require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

The District's Special Revenue Fund expenditures exceed its approval budget appropriations by \$94,502.

New Pronouncements

GASB issued Statement No. 83, *Certain Asset retirement Obligations*, effective for the District's fiscal year ending June 30, 2019.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, effective for the District's fiscal year ending June 30, 2019.

The adoption of GASB Statement Numbers 83 and 88 did not have an impact on the District's financial position or results of operations.

The District will adopt the following new accounting pronouncements in future years:

GASB issued Statement No. 84, *Fiduciary Activities*, effective for the District's fiscal year ending June 30, 2020.

GASB issued Statement No. 87, *Leases*, effective for the District's fiscal year ending June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GASB issued Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period, effective for the District's fiscal year ending June 30, 2021.

GASB Statement No. 90, Majority *Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the District's fiscal year ending June 30, 2020.

The impact of these pronouncements on the District's financial statement has not been determined.

NOTE B – 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 \$1,133,121. The bank balance for the same time was \$1,650,605.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

NOTE C – CAPITAL ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Governmental Activities</u>	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Land (nondepreciable)	\$ 452,007	\$ -	\$ -	\$ 452,007
Land improvements	622,576	-	-	622,576
Buildings	29,766,383	-	-	29,766,383
Technology equipment	-	-	-	-
Vehicles	2,259,477	188,792	-	2,448,269
General equipment	467,447	19,700	-	487,147
Total at historical cost	\$ <u>33,567,890</u>	\$ <u>208,492</u>	\$ <u>-</u>	\$ <u>33,776,382</u>
Less: Accumulated depreciation				
Land improvements	\$ 572,461	\$ 11,156	\$ -	\$ 583,617
Buildings	9,545,957	477,839	-	10,023,796
Technology equipment	-	-	-	-
Vehicles	1,667,837	207,260	-	1,875,097
General equipment	395,839	10,155	-	405,994
Total accumulated depreciation	\$ <u>12,182,094</u>	\$ <u>706,410</u>	\$ <u>-</u>	\$ <u>12,888,504</u>
<u>Governmental Activities</u>				
Capital Assets-net	\$ <u>21,385,796</u>	\$ <u>(497,918)</u>	\$ <u>-</u>	\$ <u>20,887,877</u>
<u>Business-Type Activities</u>	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Buildings	\$ 162,717	\$ -	\$ -	\$ 162,717
Technology equipment	-	-	-	-
General equipment	259,476	-	-	259,476
Total at historical cost	\$ <u>422,193</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>422,193</u>
Less: Accumulated depreciation				
Buildings	\$ 162,717	\$ -	\$ -	\$ 162,717
Technology equipment	-	-	-	-
General equipment	243,361	2,029	-	245,390
Total accumulated depreciation	\$ <u>406,078</u>	\$ <u>2,029</u>	\$ <u>-</u>	\$ <u>408,107</u>
<u>Business-Type Activities</u>				
Capital Assets-net	\$ <u>16,115</u>	\$ <u>(2,029)</u>	\$ <u>-</u>	\$ <u>14,086</u>

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

NOTE D – DEBT OBLIGATIONS

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Elliott County School District Finance Corporation.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Bond Issues	Original Amount	Maturity Date	Interest Rates	2018 Bonds			2019 Bonds
				Outstanding	Additions	Retirements	Outstanding
2012	\$ 4,500,000	8/1/2032	2.0-3.25%	\$ 4,055,000	\$ -	95,000	\$ 3,960,000
2012R	2,020,000	9/1/2023	.5 - 2.125%	1,150,000	-	160,000	990,000
2015	395,000	2/1/2035	3.1%	350,000	-	15,000	335,000
2005	290,000	8/1/2026	4.125%	145,000	-	15,000	130,000
2006	500,000	1/25/2021	QZAB	500,000	-	-	500,000
2009	2,045,000	12/1/2018	1.50-3.40%	240,000	-	240,000	-
2016R	2,185,000	11/1/2027	1-2%	2,115,000	-	205,000	1,910,000
2014	1,205,000	5/1/1934	2.55-3.75	1,135,000	-	25,000	1,110,000
2013	595,000	8/1/2033	2.25-3.75	565,000	-	10,000	555,000
				10,255,000	-	765,000	9,490,000
Add:	Premium			15,364	-	1,944	13,420
Less:	Discount			(38,735)	-	(3,820)	(34,915)
				<u>\$ 10,231,629</u>	<u>\$ -</u>	<u>\$ 763,124</u>	<u>\$ 9,468,505</u>

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

Fiscal Year Ended June 30th	Principal		Interest		Principal Total	Interest Total
	Local	KSFCC	Local	KSFCC		
2020	345,628	364,372	135,583	87,364	710,000	222,947
2021	353,016	871,984	128,457	81,592	1,225,000	210,049
2022	365,326	384,674	120,986	75,718	750,000	196,704
2023	377,494	392,506	113,042	68,241	770,000	181,283
2024	295,801	384,199	105,616	59,598	680,000	165,215
2025-2029	1,521,005	1,533,995	410,202	175,746	3,055,000	585,948
2030-2034	1,691,794	583,206	147,548	43,998	2,275,000	191,547
2035	-	25,000	-	775	25,000	775
	<u>\$ 4,950,064</u>	<u>\$ 4,539,936</u>	<u>\$ 1,161,435</u>	<u>\$ 593,032</u>	<u>\$ 9,490,000</u>	<u>\$ 1,754,467</u>

Accumulated Sick Leave

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. The activity during fiscal year 2019 for accumulated sick leave is as follows:

	2018 Outstanding Balance	Additions	Retirements	2019 Outstanding Balance
Sick Leave	\$ 45,106	\$ 46,368	\$ -	\$ 91,474

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

KSBIT

The District elected to finance the worker’s compensation insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-local School Transportation Association (KISTA). The activity during fiscal year 2019 for the worker’s compensation and property and liability deficit are as follows:

<u>KISBIT Issues</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2018 KSBIT Outstanding</u>	<u>Additions</u>	<u>Retirements</u>	<u>2019 KSBIT Outstanding</u>
KSBIT	\$ 222,133	8/15/2024	2.0 - 3.25%	\$ 163,144	\$ -	\$ 21,475	\$ 141,669

The minimum payments are as follows:

<u>Fiscal Year Ended June 30th</u>	<u>Local Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2020	21,942	3,922	25,864
2021	22,516	3,349	25,865
2022	23,201	2,663	25,864
2023	23,908	1,956	25,864
2024	24,652	1,212	25,864
2025	25,450	414	25,864
Totals	\$ 141,669	\$ 13,516	\$ 155,185

Net Pension & OPEB Liability

The net pension liability is \$2,740,648 for governmental activities and \$128,251 for business-type activities for a total of \$2,868,899 as of June 30, 2019. (See Note G for additional information) The net OPEB liability is \$3,322,173 for governmental activities and \$37,398 for business-type activities for a total of \$3,359,571 as of June 30, 2019. (See Note I for additional information)

A summary of activity in bond obligations and other debts is as follows:

<u>Description</u>	<u>2018</u>			<u>2019</u>	
	<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>	<u>Amount Due in 1 Year</u>
Bonds, Net Premium and Discount	\$ 10,231,629	\$ -	\$ 763,124	\$ 9,468,505	\$ 710,000
Capital Leases (See Note E below)	716,910	189,965	148,845	758,030	165,667
Sick Leave	45,106	46,368	-	91,474	43,058
KSBIT	163,144	-	21,475	141,669	21,942
Net Pension Liability	2,890,188	-	21,289	2,868,899	-
Net OPEB Liability	3,760,647	-	401,076	3,359,571	-
Totals	\$ 17,807,624	\$ 236,333	\$ 1,355,809	\$ 16,688,148	\$940,667

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CAPITAL LEASE PAYABLE

The following is an analysis of the leased property under capital lease by class:

KISTA Issue	Original Amount	Maturity Date	Interest Rates	2018 Lease Outstanding	Additions	Retirements	2019 Lease Outstanding
Second Series 2015	284,961	3/1/2025	2.0-2.5%	194,993	-	27,801	167,192
2014	61,793	3/1/2024	2.0 - 2.625%	36,073	-	6,103	29,970
Third Series 2009	796,487	3/1/2020	2.0- 3.6%	150,152	-	73,816	76,336
Series 2017	374,948	3/1/2027	2.55%	335,692	-	41,125	294,567
Series 2019	189,965	3/1/2029	3.000%	-	189,965	-	189,965
				<u>716,910</u>	<u>189,965</u>	<u>148,845</u>	<u>758,030</u>

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

Fiscal Year Ended June 30th	Local Principal	Interest	Total Payments
2020	165,667	20,343	186,010
2021	91,940	15,493	107,433
2022	90,482	13,249	103,731
2023	91,771	10,966	102,737
2024	89,129	8,596.58	97,725.58
2025-2029	<u>229,041</u>	<u>14,150</u>	<u>243,191</u>
	<u>\$ 758,030</u>	<u>\$ 82,797</u>	<u>\$ 840,827</u>

Total minimum lease payments	\$	840,827
Less: Amount representing interest		(82,797)
 Present Value of Net Minimum Lease Payments	\$	 758,030

The assets acquired through the capital leases are as follows:

	Governmental Activities
Buses	\$ 1,570,974
Less accumulated depreciation	(1,002,822)
Total	<u>\$ 568,152</u>

NOTE F – 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30,	Payment
2020	\$ 7,656.48
2021	3,360.00
2022	3,360.00
2023	3,360.00
2024	<u>\$2,520</u>
Total	<u>\$ 20,256.48</u>

Expenditures for equipment under operating leases for the year ended June 30, 2019 totaled \$8,116.

NOTE G – RETIREMENT PLANS

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

Teachers Retirement System Kentucky (TRS)

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

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 members hired on or after that date.

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

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

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.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

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

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

Funding policy—In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three point seventy-five percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

and three percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

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

District's proportionate share of KTRS net pension liability	\$	-
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>18,281,526</u>
	\$	<u><u>18,281,526</u></u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June, 30, 2019, the District’s proportion was 0.1396%.

Actuarial Methods and 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:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of pay, closed
Remaining Amortization Period	27.4 years
Asset Valuation Method	5-year smoothed market
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.89%
Projected Salary Increase	3.50 – 7.30%, includes wage inflation of 3.50%
Investment Rate of Return	7.5%, includes price inflation of 3.00%

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2018:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Municipal Bond Index Rate increased to 3.89%.
- Single Equivalent Interest Rate increased to 7.50%.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 (with a setforward of 1 year for females and 2 years for males). The most recent experience study based on the results from July 1, 2010 – June 30, 2015 adopted by the Board on September 19, 2016.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.4%
Non U.S. Equity	22.0%	5.3%
Fixed Income	15.0%	1.5%
Additional Categories	8.0%	3.6%
Real Estate	6.0%	4.4%
Alternatives	7.0%	6.7%
Cash	2.0%	0.8%
Total	100.0%	

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2037 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2037. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.50%, as well as what the Commonwealth’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
KTRS Commonwealth's proportionate share of net pension liability	\$ 23,433,637	\$ 18,281,526	\$ 13,946,713

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report which is publically available at <http://www.TRS.ky.gov/>.

County Employees Retirement System

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

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

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

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2019, employers were required to contribute 21.48% of the member’s salary. During the year ending June 30, 2019, the District contributed \$254,210 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

CERS-Medical Insurance Plan

In addition to the CERS pension benefits described above, recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30, 2019, the District's proportion was 0.047106%.

District's proportionate share of CERS net pension liability	\$	2,868,899
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>-</u>
	\$	<u>2,868,899</u>

For the year ended June 30, 2019, the District recognized pension expense of \$202,210. 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	\$ 93,575	41,995
Changes of assumptions	280,375	-
Net difference between projected and actual earnings on pension plan investments	133,406	167,806
Changes in proportion and differences between District contributions and proportionate share of contributions		139,215
District contributions subsequent to the measurement date	<u>254,210</u>	<u>-</u>
	\$ <u>770,420</u>	\$ <u>349,016</u>

The \$254,210 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

		Year Ended June 30,
		<u> </u>
2020	\$	167,431
2021		66,033
2022		(47,870)
2023		<u>(18,400)</u>
		<u> </u>
		\$ 167,194
		<u> </u>

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

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4% average
Investment Rate of Return	7.5%

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2018:

- The assumed investment rate of return increased to 7.50%.
- The assumed rate of inflation increased to 3.25%.
- The Salary Increase increased to 4.00%.
- The Asset Valuation Method changed to 20% of the difference between the market value of assets and the expected actuarial value of assets.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS'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>
Combined Equity	35.0%	5.85%
Combined Fixed Income	24.0%	6.69%
Global Bond	4.0%	3.00%
Real Return (Diversified Inflation Strategies)	10.0%	7.00%
Real Estate	5.0%	9.00%
Absolute Return (Diversified Hedge Funds)	10.0%	5.00%
Private Equity	10.0%	6.50%
Cash Equivalent	<u>2.0%</u>	1.50%
	<u>100.0%</u>	

Discount rate: 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 members 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 assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 3,611,647	\$ 2,868,899	\$ 2,246,606

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

Payables to the pension plan: At June 30, 2019, there are no payables to CERS.

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 allowable by law. These plans are administered by an independent third-party administrator.

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 \$145,930. The District does not contribute to these plans.

NOTE H – ACCOUNTING STANDARDS STATEMENT NO. 75

Government Accounting Standards Board (GASB) Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than OPEB’s, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

Reporting under GASB 75 is effective for fiscal years commencing after June 15, 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE I – POSTEMPLOYMENT BENEFITS OTHER THAN OPEB

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the postemployment benefits other than OPEB for both systems.

TRS – General Information about the OPEB Plans

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

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

Retiree Medical Plan funded by the Medical Insurance Fund

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

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

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 point seventy-five 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2019, the District reported a liability of \$2,523,000 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 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, 2019, the District’s proportion was .072726 percent.

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

District's proportionate share of KTRS net OPEB liability	\$	2,523,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		<u>2,175,000</u>
	\$	<u><u>4,698,000</u></u>

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	\$ -	\$ 241,000
Changes of assumptions	65,000	-
Net difference between projected and actual earnings on pension plan investments	-	19,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	171,000
District contributions subsequent to the measurement date	<u>124,807</u>	<u>-</u>
	\$ <u><u>189,807</u></u>	\$ <u><u>431,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The \$124,807 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 collective net OPEB liability for 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:

		Year Ended June 30,
2020	\$	(71,000)
2021		(71,000)
2022		(71,000)
2023		(63,000)
2024		(64,000)
Thereafter		(26,000)
	\$	<u>(366,000)</u>

Changes of Benefit Terms - None

Changes of Assumptions- The amortization period decreased to 23 years and the Municipal Bond Index Rate increased to 3.89%.

Actuarial Methods and Assumptions—The total OPEB liability was determined using an actuarial valuation of the June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	23 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	8.00%
Municipal Bond Index Rate	3.89%
Investment Rate of Return	8.0%, includes price inflation
Inflation	3.0%
Real Wage Growth	.50%
Wage Inflation	3.50%
Salary Increase	3.50 to 7.20%, including wage inflation
Discount Rate	8.0%

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 (with a setforward of 1 year for females and 2 years for males). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
High Yield	20.0%	3.3%
Cash	1.0%	0.9%
	<hr style="width: 50%; margin: 0 auto;"/> 100.0%	

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 was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2017. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%.
- For the retiree health care costs of those beneficiaries under age 65, the KEHP implicit rate subsidies were assumed to be paid in all years by the employer directly to plan members as the benefits come due.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Employee Contributions
- School District/ University Contributions
- State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

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

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

- Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
- A 0% active member growth rate was assumed for the purposes of developing estimates for new entrants (membership dates beyond June 30, 2016).

Based on these assumptions, the MIF's fiduciary net position was not projected to be depleted.

The following table presents the net OPEB liability of the Commonwealth associated with the District, calculated using the discount rate of 8.00%, as well as what the Commonwealth's 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
KTRS	7.00%	8.00%	9.00%
District's & State's proportionate share of net OPEB liability	\$ 5,509,000	\$ 4,698,000	\$ 4,022,000

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:

	1% Decrease	Current Trend Rate	1% Increase
District's & State's proportionate share of net OPEB liability	\$ 3,895,000	\$ 4,698,000	\$ 5,688,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Other Post Employment Benefits Liabilities related to the Life Insurance Plan funded by - Life Insurance Plan (LIF)

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 - Effective July 1, 2000, the Kentucky Teachers’ Retirement System shall:

- Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its members who are retired for service or disability. This life insurance benefit shall be payable upon the death of a member retired for service or disability to the member’s estate or to a party designated by the member on a form prescribed by the retirement system; and
- Provide a life insurance benefit in a minimum amount of two thousand dollars (\$2,000) for its active contributing members. This life insurance benefit shall be payable upon the death of an active contributing member to the member’s estate or to a party designated by the member on a form prescribed by the retirement system.

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

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

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

At June 30, 2019, the 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of KTRS net OPEB liability	\$	-
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		<u>37,000</u>
	\$	<u><u>37,000</u></u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$89,740 and revenue of \$89,740 for support provided by the State.

Changes of Benefit Terms— Discount rate decreased to 7.5%. Amortization method changed from open to closed. Municipal bond interest rate increased to 3.89%. Inflation increased to 3.5%. Wage inflation increased to 4.0%.

Actuarial Methods and 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:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	30 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.89%
Investment Rate of Return	7.5%, includes price inflation
Inflation	3.5%
Real Wage Growth	.50%
Wage Inflation	4.00%
Salary Increase	4.00-8.10%, including wage inflation
Discount Rate	8.0%

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2018:

- Amortization period switched to closed.
- Projected salary increases increased to 4%.
- Inflation rate increased to 3.5%.
- Wage inflation increased to 4%.
- Municipal Bond Index Rate increased to 3.89%.

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 (with a setforward of 1 year for females and 2 years for males). The RP-2000 Disabled Mortality

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Table set forward two years for males and seven years for females is used for the period after disability retirement.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash	2.0%	0.9%
	100.0%	

Discount Rate: The discount rate used to measure the total OPEB liability was 8.0%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2018. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 4.00%.
- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the funds funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the LIF’s fiduciary net position was not projected to be depleted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	1% Decrease	Current Discount Rate	1% Increase
KTRS	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	\$ 57,000	\$ 37,000	\$ 21,000

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

CERS – General Information about the OPEB Plans

Other Pension Benefit Programs-Employees’ Health Plan

Plan description – Recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

Benefits provided – Post Retirement Death Benefits – members with a least 4 years creditable service the System will pay a \$5,000 death benefit. Insurance benefits as described above.

Contributions - Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2019 was as follows:

Total medical benefit obligation	\$ 3,092,623
Net position available for benefits at actuarial value	<u>(2,371,430)</u>
Unfunded medical benefit obligation	<u>\$ 721,193</u>

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 \$836,571 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2018,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

and the total OPEB liability used to calculate the 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, 2019, the District's proportion was .04711800 percent.

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

District's proportionate share of net OPEB liability	\$	836,571
Commonwealth's proportionate share of the net OPEB liability associated with the District		<u>-</u>
	\$	<u><u>836,571</u></u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$31,747. 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	\$ -	97,491
Changes of assumptions	167,076	1,933
Net difference between projected and actual earnings on pension plan investments	-	57,623
Changes in proportion and differences between District contributions and proportionate share of contributions	-	36,892
District contributions subsequent to the measurement date	<u>26,201</u>	<u>-</u>
	\$ <u><u>193,277</u></u>	\$ <u><u>193,939</u></u>

The \$26,201 (includes \$13,496 Implicit Subsidy) 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 collective net OPEB liability for 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		Year Ended June 30,
2020	\$	(4,067)
2021		(4,067)
2022		(4,067)
2023		7,124
2024		(14,296)
Thereafter		(7,490)
	\$	<u>(26,863)</u>

Implicit Employer Subsidy- The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

*Changes of Benefit Terms-*None

*Changes of Assumptions-*There have been no changes in actuarial assumption since June 30, 2017.

*Actuarial Methods and Assumptions—*The total OPEB liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation used the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	27 years, Closed
Asset Valuation Method	20% of difference in market and expected market value
Price Inflation	3.25%
Salary Increase	4.00%, average
Investment Return	7.50%
Payroll Growth	4.0%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 With Scale BB (set back 1 year females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing To an ultimate trend rate of 5.00% over period of 5 years.
Healthcare Trend Rates (Post 65)	Initial trend starting at 5.50% and gradually decreasing To an ultimate trend rate of 5.00% over period of 2 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Discount rate: The discount rate used to measure the total OPEB liability was 5.85%. The 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 from plan members and employers will be made with the Board’s current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and actuarial assumptions adopted by the Board.

The following table presents the net OPEB liability of the District, calculated using the discount rate of 5.85%, as well as what the District’s 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:

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.85%	5.85%	6.85%
District's proportionate share of net OPEB liability	\$ 1,086,571	\$ 836,571	\$ 623,616

Sensitivity of the District’s proportionate share of net OPEB liability to changes in the discount rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.85%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 622,835	\$ 836,571	\$ 1,088,503

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

NOTE J – PRIVATE PURPOSE TRUST

The District received an endowment from the W. Paul and Lucille Caudill Little Foundation, Inc. in the amount of \$100,000 to provide \$5,000 in operating costs per year to the Adkins-Caudill Performing Arts Center. The \$100,000 is the corpus and earnings of \$5,809.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE K – COMMITMENTS

The District has no commitments outstanding as of June 30, 2019.

NOTE L - CONTINGENCIES

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

NOTE M - LITIGATION

The District has no pending or threatened litigation involving amounts exceeding \$10,000 individually or in the aggregate as of June 30, 2019.

NOTE N – 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, illegal acts, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers' Compensation insurance.

NOTE O – RISK MANAGEMENT

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

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

NOTE P - 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Debt Service	General Fund	Debt Service	Debt Payments	\$ 62,863
Debt Service	Capital Outlay	Debt Service	Debt Payments	21,458
Debt Service	Building Fund	Debt Service	Debt Payments	391,980
Operations	Capital Outlay	General Fund	Operating Costs	70,981
Operations	Food Service	General Fund	Indirect Costs	48,000
Special Rev	General Fund	Special Revenue	KETS Matching	\$ 20,045

NOTE R – ON-BEHALF PAYMENTS

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

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 and 75)	\$ 1,437,570
Health Insurance	1,161,593
Life Insurance	1,798
Administrative Fee	14,871
HRA/Dental/Vision	48,125
Federal Reimbursement	(117,021)
Technology	66,083
SFCC Debt Service Payments	<u>526,623</u>
Total	\$ <u><u>3,139,642</u></u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTE S – RESTRICTED FUND BALANCES

The following funds had restricted fund balances.

<u>Fund</u>	<u>Restricted Fund Balance/ Net Position</u>	<u>Purpose</u>
Special Revenue Fund	\$ 28,074	District Activities
Private Purpose Trust	105,809	Scholarships
Proprietary	187,592	School Food Services
FSPK Fund	\$ 208	FSPK

NOTE T – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 10, 2019, the date of the audit report.

ELLIOTT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CERS and KTRS
For the Year Ended June 30, 2019

	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):				
Districts' proportion of the net pension liability	0.04711%	0.04938%	0.052870%	0.05000%
District's proportionate share of the net pension liability	\$ 2,868,899	\$ 2,890,188	\$ 2,603,284	\$ 2,189,804
State's proportionate share of the net pension liability associated with the District	-	-	-	-
Total	<u>\$ 2,868,899</u>	<u>\$ 2,890,188</u>	<u>\$ 2,603,284</u>	<u>\$ 2,189,804</u>
District's covered-employee payroll	\$ 1,160,030	\$ 1,166,293	\$ 1,183,416	\$ 1,187,072
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	247.31%	247.81%	219.98%	184.47%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (KTRS):				
Districts' proportion of the net pension liability	0.140%	0.146%	0.145%	0.145%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>18,281,526</u>	<u>39,335,714</u>	<u>42,776,336</u>	<u>33,760,088</u>
Total	<u>\$ 18,281,526</u>	<u>\$ 39,335,714</u>	<u>\$ 42,776,336</u>	<u>\$ 33,760,088</u>
District's covered-employee payroll	\$ 4,699,100	\$ 4,893,121	\$ 4,765,809	\$ 4,696,553
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	39.80%	35.22%	42.29%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
CERS and KTRS

For the Year Ended June 30, 2019

	2019	2018	2017	2016
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):				
Contractually required contribution	\$ 254,210	\$ 217,667	\$ 229,969	\$ 201,659
Contributions in relation to the contractually required contributions	254,210	217,667	229,969	201,659
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 1,207,174	\$ 1,160,030	\$ 1,166,293	\$ 1,183,416
District's contributions as a percentage of it's covered-employee payroll	21.06%	18.76%	19.72%	17.04%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM (KTRS):				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	-	-	-	-
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 4,618,680	\$ 4,699,100	\$ 4,893,121	\$ 4,765,809
District's contributions as a percentage of it's covered-employee payroll	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. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSIONS
For the year ended June 30, 2019

(1) CHANGES OF ASSUMPTIONS

KTRS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2018:

- Municipal Bond Index Rate increased to 3.89%.
- Single Equivalent Interest Rate increased to 7.50%.

CERS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2018:

- The assumed investment rate of return increased to 7.50%.
- The assumed rate of inflation increased to 3.25%.
- The Salary Increase increased to 4.00%.
- The Asset Valuation Method changed to 20% of the difference between the market value of assets and the expected actuarial value of assets.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

KTRS

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of pay, closed
Remaining Amortization Period	27.4 years
Asset Valuation Method	5-year smoothed market
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.89%
Projected Salary Increase	3.50 – 7.30%, includes wage inflation of 3.50%
Investment Rate of Return	7.5%, includes price inflation of 3.00%

ELLIOTT COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSIONS

For the year ended June 30, 2019

CERS

The Board of Trustees uses this actuarial valuation to certify the employer contribution rates for CERS for the fiscal year beginning July 1, 2018 and ending June 30, 2019. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4% average
Investment Rate of Return	7.5%

(3) CHANGES OF BENEFITS

There were no changes of benefit terms for KTRS or CERS.

ELLIOTT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
Year Ended June 30, 2019

	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
	<u> </u>	<u> </u>
MEDICAL INSURANCE PLAN		
District's proportion of the collective net OPEB liability (asset)	0.07273%	0.07764%
District's proportionate share of the collective net OPEB liability (asset)	\$ 2,523,000	\$ 2,768,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>2,175,000</u>	<u>2,261,000</u>
Total	<u>\$ 4,698,000</u>	<u>\$ 5,029,000</u>
District's covered-employee payroll	\$ 4,699,100	\$ 4,893,121
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	53.69%	56.57%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	21.20%
LIFE INSURANCE PLAN		
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>37,000</u>	<u>30,000</u>
Total	<u>\$ 37,000</u>	<u>\$ 30,000</u>
District's covered-employee payroll	\$ 4,699,100	\$ 4,893,121
District's proportionate share of the collective net OPEB liability (asset) 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%	80.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
MEDICAL AND LIFE INSURANCE PLANS
TEACHERS' RETIREMENT SYSTEM
Year Ended June 30, 2019

	2019	2018
MEDICAL INSURANCE PLAN		
Contractually required contribution	\$ 124,807	\$ 129,547
Contributions in relation to the contractually required contribution	124,807	129,547
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 4,618,680	\$ 4,699,100
District's contributions as a percentage of it's covered-employee payroll	2.70%	2.76%
LIFE INSURANCE PLAN		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 4,618,680	\$ 4,699,100
District's proportionate share of the net pension liability as a percentage of it's 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. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
Year Ended June 30, 2019

	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
	<u> </u>	<u> </u>
HEALTH INSURANCE PLAN		
District's proportion of the collective net OPEB liability (asset)	0.04712%	0.04938%
District's proportionate share of the collective net OPEB liability (asset)	\$ 836,571	\$ 992,647
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>-</u>	<u>-</u>
Total	<u>\$ 836,571</u>	<u>\$ 992,647</u>
District's covered-employee payroll	\$ 1,160,030	\$ 1,166,293
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	72.12%	85.11%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	13.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
 Year Ended June 30, 2019

	2019	2018
HEALTH INSURANCE PLAN		
Contractually required contribution	\$ 26,201	\$ 22,867
Contributions in relation to the contractually		
	26,201	22,867
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 1,207,174	\$ 1,160,030
District's contributions as a percentage of it's covered-employee payroll	2.17%	1.97%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB

For the year ended June 30, 2019

TRS

(1) CHANGES OF BENEFIT TERMS

There were no changes of benefit terms for the medical insurance fund or the life insurance fund.

(2) CHANGES OF ASSUMPTIONS

Medical Insurance Fund

- The amortization period decreased to 23 years and the Municipal Bond Index Rate increased to 3.89%.

Life Insurance Fund

- Amortization period switched to closed.
- Projected salary increases increased to 4%.
- Inflation rate increased to 3.5%.
- Wage inflation increased to 4%.
- Municipal Bond Index Rate increased to 3.89%.

(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Medical Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	23 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	8.00%
Municipal Bond Index Rate	3.89%
Investment Rate of Return	8.0%, includes price inflation
Inflation	3.0%
Real Wage Growth	.50%
Wage Inflation	3.50%
Salary Increase	3.50 to 7.20%, including wage inflation
Discount Rate	8.0%

Life Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

ELLIOTT COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB
For the year ended June 30, 2019

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	30 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.89%
Investment Rate of Return	7.5%, includes price inflation
Inflation	3.5%
Real Wage Growth	.50%
Wage Inflation	4.00%
Salary Increase	4.00-8.10%, including wage inflation
Discount Rate	8.0%

CERS

Other Pension Benefit Programs-Employees' Health Plan

(1) CHANGES OF BENEFIT TERMS

None.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

Contributions requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	27 years, Closed
Asset Valuation Method	20% of difference in market and expected market value
Price Inflation	3.25%
Salary Increase	4.00%, average
Investment Return	7.50%
Payroll Growth	4.0%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 With Scale BB (set back 1 year females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing To an ultimate trend rate of 5.00% over period of 5 years.
Healthcare Trend Rates (Post 65)	Initial trend starting at 5.50% and gradually decreasing To an ultimate trend rate of 5.00% over period of 2 years.

Elliott County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2019

	Other Governmental Funds			
	Capital Outlay	FSPK Fund	Construction Fund	Total
Assets				
Cash and Cash Equivalents	\$ -	\$ 208	\$ -	\$ 208
Total Assets	-	208	-	208
Fund Balances				
Restricted	-	208	-	208
Total Fund Balances	\$ -	\$ 208	\$ -	\$ 208

See the accompanying notes to the financial statements.

Elliott County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
 Year ended June 30, 2019

	Other Governmental Funds			
	Capital Outlay	FSPK Fund	Construction Fund	Total
Revenues				
Taxes				
Property	\$ -	\$ 104,687	\$ -	\$ 104,687
Intergovernmental - State	92,439	280,782		373,221
Total Revenues	92,439	385,469	-	477,908
Expenditures				
Building improvements				-
Total Expenditures	-	-	-	-
Excess (Deficit) of Revenues Over Expenditures	92,439	385,469	-	477,908
Other Financing Sources (Uses)				
Operating Transfers (Out)	(92,439)	(385,469)		(477,908)
Total Other Financing Sources (Uses)	(92,439)	(385,469)	-	(477,908)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-	-
Fund Balance beginning	-	208	-	208
Fund Balance ending	\$ -	\$ 208	\$ -	\$ 208

See the accompanying notes to the financial statements.

Elliott County School District
Combining Balance Sheet of Fiduciary Funds-School Activity and Private Purpose Trust
 June 30, 2019

	SCHOOL ACTIVITY FUNDS					
	ELLIOTT CO. HIGH SCHOOL	ISONVILLE ELEMENTARY	LAKESIDE ELEMENTARY	SANDY HOOK ELEMENTARY	PRIVATE PURPOSE TRUST	TOTAL
ASSETS						
Cash and cash equivalents	\$ 61,450	\$ 1,486	\$ 8,130	\$ 20,744	\$ 105,809	\$ 197,619
Accounts receivable	100	-	-	-	-	100
Total Assets	61,550	1,486	8,130	20,744	105,809	197,719
LIABILITIES						
Accounts payable	1,295	-	42	-	-	1,337
Total Liabilities	1,295	-	42	-	-	1,337
FUND BALANCE						
School activities	60,255	1,486	8,088	20,744	105,809	196,382
TOTAL LIABILITIES AND FUND BALANCE	\$ 61,550	\$ 1,486	\$ 8,130	\$ 20,744	\$ 105,809	\$ 197,719

See the accompanying notes to the financial statements.

Elliott County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance-School Activity and Private Purpose Trust
 Year ended June 30, 2019

	SCHOOL ACTIVITY FUNDS					
	ELLIOTT CO. HIGH SCHOOL	ISONVILLE ELEMENTARY	LAKESIDE ELEMENTARY	SANDY HOOK ELEMENTARY	PRIVATE PURPOSE TRUST	TOTAL
Revenues						
Student/Trust revenues	\$ 342,687	\$ 3,572	\$ 7,343	\$ 42,385	\$ 2,541	\$ 398,528
Expenditures						
Student/Trust activities	337,635	5,191	4,916	41,543	-	389,285
Excess (Deficit) of Revenues Over Expenses	5,052	(1,619)	2,427	842	2,541	9,243
Fund Balance-Beginning	55,203	3,105	5,661	19,902	103,268	187,139
Fund Balance-Ending	\$ 60,255	\$ 1,486	\$ 8,088	\$ 20,744	\$ 105,809	\$ 196,382

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Revenues, Expenses, and Changes in Fund Balance - Elliott County High School
Year ended June 30, 2019

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
GENERAL FUND	\$ 4,111	\$ 36,302	\$ 37,147	\$ -	\$ 3,266
SENIOR CLASS FUNDS	-	11,352	11,050	-	302
HS SCIENCE	5	-	-	-	5
ARCHERY	3,029	6,585	6,392	-	3,222
ELEMENTARY BASKETBALL	-	14,110	10,834	-	3,276
PROM 2020	-	819	-	(655)	164
FBLA/LEADERSHIP CLASS	4,467	20,010	23,024	-	1,453
ENVIRONMENTAL CLUB	344	-	-	-	344
ANNUAL	1,079	2,160	1,895	-	1,344
SOCCER	27	1,372	679	(200)	520
FCA	289	3,575	2,694	-	1,170
AP GEOGRAPHY	-	1,502	839	-	663
PEP CLUB	-	360	184	-	176
ELEMENTARY CHEERLEADING	72	555	-	-	627
DUNGEONS AND DRAGONS CLUB	-	290	69	-	221
GENERAL II	150	-	-	-	150
FACULTY VENDING	370	2,082	1,084	-	1,368
DRAMA CLUB	8	-	-	-	8
BETA	306	61,857	61,210	350	1,303
BAND	2,455	9,147	7,087	-	4,515
JR BETA	-	8,521	8,486	-	35
FRESHMAN ACCOUNT	741	1,795	2,065	-	471
SOPHOMORE FUND	10	-	-	-	10
FCCLA	2,748	4,866	4,078	(350)	3,186
FFA	2,658	12,580	11,906	-	3,332
INDUSTRIAL ARTS	184	-	-	-	184
WELDING	-	948	948	-	-
ATHLETIC	11,568	49,472	50,814	(180)	10,046
7TH & 8TH ATHLETIC	91	9,251	9,055	-	287
HS ATHLETIC GIRLS	123	22,461	21,971	-	613
CROSS COUNTRY	4,174	3,174	6,295	-	1,053
TRACK	59	7	50	-	16
HS CHEERLEADING	372	16,659	12,854	(400)	3,777
7/8 CHEERLEADING	1,120	1,482	2,257	400	745
VOLLEYBALL	117	3,783	3,893	-	7
BASEBALL	482	12,410	11,807	200	1,285
SOFTBALL	866	3,014	3,661	-	219
GOLF 08-09	127	1,324	1,624	180	7
ROTC	5,829	2,161	5,195	-	2,795
LIBRARY	112	-	-	-	112
YEARBOOK ADS	2,626	-	-	-	2,626
ACADEMIC TEAM	1,290	836	1,619	-	507
JUNIOR CLASS (PROM)	2,153	4,220	5,648	655	1,380
8TH GRADE	331	-	-	-	331
7TH/8TH GRADE ACCOUNT	710	11,645	9,221	-	3,134
TOTALS	\$ 55,203	\$ 342,687	\$ 337,635	\$ -	\$ 60,255

See the accompanying notes to the financial statements.

ELLIOTT COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
US Department of Agriculture					
Passed Through State Department of Education					
* School Breakfast Program	10.553				
Fiscal Year 18		7760005 18	\$ -	\$ N/A	44,005
Fiscal Year 19		7760005 19	-	N/A	193,248
* National School Lunch Program	10.555				
Fiscal Year 18		7750002 18	-	N/A	88,116
Fiscal Year 19		7750002 19	-	N/A	391,262
* Summer Food Service Program for Children	10.559				
Fiscal Year 18		7690024 18	-	N/A	525
Fiscal Year 18		7740023 18	-	N/A	5,018
Child Nutrition Cluster Subtotal					<u>722,174</u>
Fresh Fruits & Vegetables	10.582				
Fiscal Year 18		7720012 18	-	N/A	3,642
Fiscal Year 19		7720012 19	-	N/A	12,198
					<u>15,840</u>
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 19		510.4950	-	N/A	54,928
Total US Department of Agriculture					<u>792,942</u>
US Department of Education					
Passed Through State Department of Education					
Title I Grants to Local Educational Agencies	84.010A				
Fiscal Year 18		3100002 18	-	486,849	29,084
Fiscal Year 19		3100002 19	-	482,332	466,255
					<u>495,339</u>
Special Education Grants to States	84.027A				
Fiscal Year 19		3810002 19	-	300,805	300,805
Special Education-Preschool Grants	84.173A				
Fiscal Year 19		3800002 19	-	19,323	19,323
Special Education Cluster Subtotal					<u>320,128</u>
Title IV Part A	84.424A				
Fiscal Year 18		3420002 18	-	11,966	11,966
Fiscal Year 19		3420002 19	-	35,132	30,198
					<u>42,164</u>
Perkins	84.048				
Fiscal Year 18		3710002 18	-	643	643
Fiscal Year 19		3710002 19	-	29,757	16,816
					<u>17,459</u>
Teacher Quality	84.367A				
Fiscal Year 17		3230002 17	-	94,765	229
Fiscal Year 18		3230002 18	-	64,376	350
Fiscal Year 19		3230002 19	-	60,219	49,054
					<u>49,633</u>
Rural Education	84.358				
Fiscal Year 17		3140002 17	-	22,321	521
Fiscal Year 18		3140002 18	-	18,169	29
Fiscal Year 19		3140002 19	-	26,800	19,192
					<u>19,742</u>
Total US Department of Education					<u>944,465</u>
US Department of Defense					
Passed directly from the US Department of the Army					
ROTC	12.000				
Fiscal Year 19		504E	-	N/A	47,984
Total US Department of Defense					<u>47,984</u>
Total Expenditure of Federal Awards					<u>\$ 1,785,391</u>
* Major programs					

ELLIOTT COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Elliott 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 the operations of the Elliott 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 B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2019, the District received food commodities totaling \$54,928.

NOTE D – INDIRECT COST RATE

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

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 Board of Education of the Elliott County School District
Sandyhook, KY

and the State Committee for School District Audits

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* 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 Districts' Audit contract and Requirements 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 Elliott 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 Elliott County School District's basic financial statements, and have issued our report thereon dated November 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Elliott 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 Elliott County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Elliott 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 Elliott 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 of the Elliott County School District in a separate letter dated November 10, 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.

White & Associates, PSC

Richmond, KY

November 10, 2019

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

To the Board of Education of the Elliott County School District
Sandyhook, KY
and the State Committee of School District Audits

Report on Compliance for Each Major Federal Program

We have audited the Elliott 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 Elliott County School District's major federal programs for the year ended June 30, 2019. Elliott 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 Elliott 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 Districts' 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 Elliott 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 Elliott County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Elliott 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 Elliott 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 Elliott 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 Elliott 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.

White & Associates, PSC

Richmond, KY

November 10, 2019

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

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs	Child Nutrition Cluster [CFDA 10.553, 10.555, 10.559]
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

ELLIOTT COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2019

FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2018-001 Expenditures

Condition: Travel expenditure policy was not followed.

Recommendation: Management should discuss the internal control approval process for all travel expenditures with appropriate supervisors and follow board policies and procedures.

Current Status: The recommendation was adopted in December 2018. No similar findings were noted in the 2019 audit.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2018-002 Special Education Cluster, CFDA No. 84.027A, 84.173A, Grant No. 3810002 18 and 3800002 18, Grant Period – July 1, 2017 through September 30, 2019

Condition: Travel expenditure policy was not followed.

Recommendation: Management should discuss the internal control approval process for all travel expenditures with appropriate supervisors and follow board policies and procedures.

Current Status: The recommendation was adopted in December 2018. No similar findings were noted in the 2019 audit.

MANAGEMENT LETTER POINTS

Elliott County School District
Sandy Hook, Kentucky

In planning and performing our audit of the financial statements of the Elliott County School District for the year ended June 30, 2019, we considered the District's internal controls in order 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 10, 2019. This letter does not affect our report dated November 10, 2019, on the financial statements of the Elliott County School District. The conditions observed are as follows:

ELLIOTT COUNTY SCHOOL DISTRICT

2019-001

Statement of Condition: Multiple Invoices paid without a purchase order.

Recommendation for Correction: Review policies and procedures for purchasing in order to ensure all purchases have been authorized.

Management Response to the Recommendation: An email will be sent to all staff and the finance department will reiterate the procedures that must be followed during the next department head staff meeting.

2019-002

Statement of Condition: Board members were paid \$75 through payroll and \$175 out of accounts payable contrary to board policy.

Recommendation for Correction: Review policies and update procedures accordingly.

Management Response to the Recommendation: Going forward the district will be paying \$150 out of payroll for each meeting and reimbursing mileage to and from meetings through accounts payable.

ISONVILLE ELEMENTARY

No conditions.

LAKESIDE ELEMENTARY

No conditions.

SANDY HOOK ELEMENTARY

No conditions.

ELLIOTT COUNTY HIGH SCHOOL

No conditions.

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

All prior year conditions have been implemented and corrected. Ms. Debbie Stephens, Superintendent is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
November 10, 2019