

**FLOYD 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 Floyd County School District
Prestonsburg, 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 Floyd 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 Floyd 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 Floyd 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 & 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 Floyd 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 October 27, 2019, on our consideration of the Floyd 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 Floyd 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 Floyd County School District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky
October 27, 2019

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2019**

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

FINANCIAL HIGHLIGHTS

- Finished the year with a General Fund balance of \$6.638 million up from \$6.225 million.
- Provided \$150,000 from the General Fund to schools to assist with school trips and other needs.
- Completed the \$8 million renovation at Betsy Layne High School funded by revenue bonds and local funds.

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 assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

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

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

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2019**

Refer to the table of contents to find the government-wide financial statements.

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 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.

Refer to the table of contents to find the basic governmental fund financial statements.

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. To find the notes to the financial statements please refer to the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, the net position was \$19,712,394 as of June 30, 2019.

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.

Net Position for the period ending June 30, 2019

***The district implemented GASB 34 and recorded fixed assets and debt for the first time in
FY 2003.**

SEE SCHEDULE ON NEXT PAGE

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2019**

**Table 1
Net Position (in Millions)**

	Governmental		Business-type		Total		Total Percentage Change 2018-19
	Activities		Activities		School District		
	2018	2019	2018	2019	2018	2019	
Assets:							
Current and Other Assets	9.05	8.15	1.61	1.66	10.66	9.81	-8%
Capital Assets	121.18	121.39	0.73	0.69	121.91	122.09	0%
Total Assets	130.23	129.55	2.34	2.35	132.57	131.89	-1%
Deferred Outflows	9.13	8.00	0.39	0.34	9.52	8.34	-12%
Liabilities:							
Current Liabilities	6.41	6.48	0.03	0.30	6.44	6.78	5%
Noncurrent Liabilities	113.16	106.59	1.25	1.31	114.41	107.90	-6%
Total Liabilities	119.58	113.07	1.28	1.61	120.86	114.68	-5%
Deferred Inflows	2.63	5.66	0.12	0.18	2.75	5.84	100%
Net Position:							
Invested in Capital Assets							
Net of Debt	47.10	50.32	0.73	0.69	47.83	51.01	7%
Restricted	1.59	0.27	0.60	0.20	2.19	0.48	-78%
Unrestricted Net Position (Deficit)	-31.54	-31.78	0.00	0.00	-31.54	-31.78	100%
Total Net Position	17.15	18.82	1.34	0.89	18.49	19.71	7%

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2019**

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2018-19
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	
Revenues:							
Charges for services	0.08	0.12	0.33	0.31	0.41	0.43	5%
Operating grants and contributions	22.72	8.85	4.80	4.95	27.52	13.80	-50%
Capital grants and contributions	4.23	4.72			4.23	4.72	11%
General revenues	40.94	55.10	(0.22)	(0.25)	40.72	54.85	35%
Total revenue	67.97	68.78	4.91	5.01	72.88	73.79	1%
Expenses:							
Instruction	40.06	38.90			40.06	38.90	-3%
Student	1.24	1.59			1.24	1.59	28%
Instructional staff	3.34	3.18			3.34	3.18	-5%
District administration	1.26	1.41			1.26	1.41	12%
School administration	4.52	4.73			4.52	4.73	5%
Business	1.07	0.93			1.07	0.93	-13%
Plant operation & maintenance	5.94	6.38			5.94	6.38	7%
Student transportation	2.93	4.12			2.93	4.12	41%
Community services operations	0.95	1.03	0.16	0.14	1.11	1.17	5%
Amortization	0.20	0.20			0.20	0.20	1%
Depreciation	3.79	2.86	0.04	0.04	3.83	2.91	-24%
Interest on long-term debt	2.56	2.37			2.56	2.37	-7%
Food Service Operations			4.69	5.28	4.69	5.28	12%
Total Expenses	67.87	67.71	4.89	5.46	72.76	73.17	1%
Change in net position	0.10	1.07	0.02	(0.45)	0.12	0.62	-411%

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2019**

Capital Assets at Year-End
(Net of depreciation)

	Governmental Activities		Business Type Activities		Totals	
	2018	2019	2018	2019	2018	2019
Land	4,797,250	4,797,250	-	-	4,797,250	4,797,250
Land and Improvements	1,219,734	1,123,638	-	-	1,219,734	1,123,638
Buildings & Improvements	49,270,763	48,023,636	693,545	598,699	49,964,308	51,915,373
Technology Equipment	960,972	304,290	146	649	961,118	873,415
Vehicles	1,908,271	2,584,639	-	-	1,908,271	2,584,639
General Equipment	431,801	373,937	129,636	93,236	561,437	600,779
Infrastructure	1,645,241	1,365,250			1,645,241	1,365,250
Construction In Progress	60,950,303	62,820,169	-	-	60,950,303	62,820,169

The following is an analysis of debt activity during the year:

Outstanding Debt at Year-End
(in Millions)

	Governmental Activities	
	<u>2018</u>	<u>2019</u>
Capital Lease Obligations	\$ 2.11	\$ 2.77
General Obligation Bonds	71.97	68.30
KSBIT	<u>0.86</u>	<u>0.80</u>
Total Obligations	\$ <u><u>74.94</u></u>	\$ <u><u>71.87</u></u>

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2019**

BUDGETARY IMPLICATIONS

REVENUE	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	1	2	310	320	360	400	51
Local Revenue Sources	11,157,727	231,310	166	1,875,045	1,652		245,026
State Revenue Sources	41,308,945	1,524,991	514,122	2,412,808	266,642	1,522,691	373,525
Federal Revenue Sources	244,170	7,321,565					4,563,882
Other	1,124,945						
Transfers	303,270	107,965			252,876	4,512,620	
TOTALS	54,139,057	9,185,831	514,288	4,287,853	521,170	6,035,311	5,182,433
EXPENDITURES	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	1	2	310	320	360	400	51
Instruction	31,328,115	6,483,385					
Student Support Services	1,531,336	61,047					
Instructional Staff Support Services	1,620,318	1,564,397					
District Admin Support	1,390,868	20,000					
School Admin Support	4,727,823	-					
Business Support Services	934,296	-					
Plant Operation & Management	6,472,170	29,402					
Student Transportation	5,175,358						
Food Service Operations							5,275,260
Community Services	-	1,027,601					
Debt Service	437,778					6,035,311	
Land/site acquisitions							
Other facilities					34,787		
Building Acquisitions and Construction					1,835,079		
Transfers	107,965	-	489,206	4,287,776			291,785
TOTALS	53,726,025	9,185,831	489,206	4,287,776	1,869,866	6,035,311	5,567,045
Excess / (Deficit)	413,032	-	25,083	77	(1,348,696)	-	(384,612)

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2019**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district's overall budget. By law the budget must have a minimum 2.0% contingency in the Tentative Final Working budget. While it is not mandatory in the Final Working budget, the Kentucky Department of Education places district's with less than a 2% reserve on a financial watch list. The district maintained a budgeted general fund contingency in excess of \$2,000,000 or approximately 4.3% of actual expenditures based on the Kentucky Department of Education's formula for calculating contingency. The beginning general fund balance for beginning the fiscal year 2019 was \$6,225,822. Questions regarding this report should be directed to the Superintendent of Schools, Danny Adkins, or the Director of Finance/Board Treasurer, Tiffany Warrix Campbell, CPA, at (606) 886-2354 or by mail at 442 KY RT. 550 Eastern, KY 41622.

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

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,370,675	\$ 1,543,044	\$ 7,913,719
Receivables (net)	1,783,290	53,852	1,837,142
Inventories		58,354	58,354
Capital assets:			
Land and construction in progress	67,617,419		67,617,419
Other capital assets, net of depreciation	53,775,391	692,584	54,467,975
Total capital assets	121,392,810	692,584	122,085,394
Total assets	129,546,775	2,347,834	131,894,609
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	5,094,053	269,797	5,363,850
Deferred outflows related to OPEB	2,297,030	68,377	2,365,407
Deferred savings from refunding bonds	607,785		607,785
Total deferred outflows of resources	7,998,868	338,174	8,337,042
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	137,545,643	2,686,008	140,231,651
LIABILITIES			
Accounts payable and accrued expenses	298,914	298,143	597,057
Accrued interest payable	881,953		881,953
Unearned revenue	906,521		906,521
Long-term liabilities:			
Due within 1 year:			
Bond obligations	3,835,000		3,835,000
Capital lease obligations	379,610		379,610
Workers compensation	57,175		57,175
KSBIT payable	61,674		61,674
Total due within 1 year	4,333,459	-	4,333,459
Due in more than 1 year:			
Bond obligations	64,462,283		64,462,283
Capital lease obligations	2,394,561		2,394,561
Workers compensation	923,730		923,730
Sick leave	273,880		273,880
KSBIT payable	738,361		738,361
Net pension liability	19,163,672	1,014,969	20,178,641
Net OPEB liability	18,692,483	295,878	18,988,361
Total due in more than 1 year	106,648,970	1,310,847	107,959,817
Total liabilities	113,069,817	1,608,990	114,678,807
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,121,826	112,379	2,234,205
Deferred inflows related to OPEB	3,535,764	70,481	3,606,245
Total deferred inflows of resources	5,657,590	182,860	5,840,450
NET POSITION			
Net Investment in capital assets	50,321,356	692,584	51,013,940
Restricted for:			
Capital projects	273,428		273,428
Child Care		21,934	21,934
Food Services		179,640	179,640
Unrestricted (deficit)	(31,776,548)		(31,776,548)
Total net position	18,818,236	894,158	19,712,394
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 137,545,643	\$ 2,686,008	\$ 140,231,651

See the accompanying notes to the financial statements.

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 38,902,437	\$ -	\$ 5,793,105	\$ -	\$ (33,109,332)		\$ (33,109,332)
Support Services							
Student	1,592,383	51,650	208,049.27		(1,332,684)		(1,332,684)
Instructional Staff	3,184,715		416,091.88		(2,768,623)		(2,768,623)
District Administration	1,410,868		184,333.83		(1,226,534)		(1,226,534)
School Administration	4,727,823		617,703.23		(4,110,120)		(4,110,120)
Business	934,296		122,068.37		(812,228)		(812,228)
Plant Operation & Maintenance	6,376,252	53,995	833,075.07	3,193,573	(2,295,609)		(2,295,609)
Student Transportation	4,116,795		537,870.72		(3,578,924)		(3,578,924)
Community Services Operations	1,027,601	12,235	134,258.93		(881,107)		(881,107)
Food service		1,253			1,253		1,253
Amortization	202,623				(202,623)		(202,623)
Depreciation*	2,864,270				(2,864,270)		(2,864,270)
Interest on general long-term debt	2,370,366			1,522,691	(847,675)		(847,675)
Total governmental activities	<u>67,710,429</u>	<u>119,133</u>	<u>8,846,556</u>	<u>4,716,264</u>	<u>(54,028,476)</u>		<u>(54,028,476)</u>
Business-type activities:							
Food service operations	5,275,261	203,283	4,937,407			\$ (134,571)	(134,571)
Community operation	138,931	106,148	16,298			(16,485)	(16,485)
Depreciation	44,081					(44,081)	(44,081)
Total business-type activities	<u>5,458,273</u>	<u>309,431</u>	<u>4,953,705</u>	<u>-</u>	<u>-</u>	<u>(195,137)</u>	<u>(195,137)</u>
Total primary government	\$ <u>73,168,702</u>	\$ <u>428,564</u>	\$ <u>13,800,261</u>	\$ <u>4,716,264</u>	<u>(54,028,476)</u>	<u>(195,137)</u>	<u>(54,223,613)</u>
General revenues:							
Taxes:							
Property taxes					7,253,648		7,253,648
Delinquent property taxes					555,848		555,848
Unmined minerals taxes					559,891		559,891
Motor vehicle taxes					1,638,661		1,638,661
Franchise taxes					2,699,739		2,699,739
State and formula grants					41,553,115		41,553,115
Unrestricted investment earnings					215,391	41,743	257,134
Other local					329,235		329,235
Transfers					291,784	(291,784)	-
Total general revenues and transfers					<u>55,097,312</u>	<u>(250,041)</u>	<u>54,847,271</u>
Change in net position					1,068,836	(445,178)	623,658
Net position - beginning					17,749,400	1,339,336	19,088,736
Net position - ending					\$ <u>18,818,236</u>	\$ <u>894,158</u>	\$ <u>19,712,394</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.

Floyd 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	\$ 6,060,355	\$ -	\$ -	\$ 310,320	\$ 6,370,675
Interfund receivables	511,843				511,843
Receivables, net					
Taxes-current	110,307				110,307
Taxes-delinquent	89,252				89,252
Accounts	71,787	1,495,537		52	1,567,376
Intergovernmental-state	16,355				16,355
Total assets	6,859,899	1,495,537	-	310,372	8,665,808
LIABILITIES					
Accounts payable	221,045	77,173		696	298,914
Interfund payable		511,843			511,843
Unearned revenue		906,521			906,521
Total liabilities	221,045	1,495,537	-	696	1,717,278
FUND BALANCE					
Restricted				273,428	273,428
Committed				36,248	36,248
Unassigned	6,638,854				6,638,854
Total fund balance	6,638,854	-	-	309,676	6,948,530
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,859,899	\$ 1,495,537	\$ -	\$ 310,372	\$ 8,665,808

See the accompanying notes to the financial statements.

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

Fund balances-total governmental funds	\$	6,948,530
<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.		121,392,810
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		607,785
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		(881,953)
Bonds payable		(68,297,283)
Capital lease payable		(2,774,171)
KSBIT payable		(800,035)
Sick leave liability		(273,880)
Workers compensation liability		(980,905)
Net pension liability		(19,163,672)
Net OPEB liability		(18,692,483)
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 OPEB		2,297,030
Deferred inflows related to OPEB		(3,535,764)
Deferred outflows related to pensions		5,094,053
Deferred inflows related to pensions		(2,121,826)
		(18,813,638)
Net position of governmental activities	\$	18,818,236

See the accompanying notes to the financial statements.

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
From Local Sources					
Taxes					
Property	\$ 5,378,680	\$ -	\$ -	\$ 1,874,968	\$ 7,253,648
Delinquent	555,848				555,848
Motor vehicle	1,638,661				1,638,661
Unmined mineral	559,891				559,891
Franchise tax	2,699,739				2,699,739
Earnings on investments	207,866	5,630		1,895	215,391
Community Service	12,235				12,235
Food service	1,253				1,253
Student activities				51,650	51,650
Other local revenue	103,556	225,679			329,235
Intergovernmental - state	41,308,945	1,524,991	1,522,691	3,193,573	47,550,200
Intergovernmental - federal	244,170	7,321,565			7,565,735
Total revenues	<u>52,710,844</u>	<u>9,077,865</u>	<u>1,522,691</u>	<u>5,122,086</u>	<u>68,433,486</u>
EXPENDITURES					
Instruction	31,328,115	6,483,385		20,495	37,831,995
Support Services					
Student	1,531,336	61,047			1,592,383
Instructional Staff	1,620,318	1,564,397			3,184,715
District Administration	1,390,868	20,000			1,410,868
School Administration	4,727,823				4,727,823
Business	934,296				934,296
Plant Operation & Maintenance	6,472,170	29,400		26,473	6,528,043
Student Transportation	5,175,358				5,175,358
Community Services Operations		1,027,601			1,027,601
Debt Service	437,778		6,035,311		6,473,089
Land/Site acquisition				34,787	34,787
Other facilities				130,954	130,954
Building acquisition & construction				1,704,125	1,704,125
Total expenditures	<u>53,618,062</u>	<u>9,185,830</u>	<u>6,035,311</u>	<u>1,916,834</u>	<u>70,756,037</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(907,218)	(107,965)	(4,512,620)	3,205,252	(2,322,551)
OTHER FINANCING SOURCES (USES)					
Sale of equipment, buildings, land & improvements	61,470				61,470
Capital lease proceeds	1,063,475				1,063,475
Operating transfers in	303,270	107,965	4,512,620		4,923,855
Operating transfers (out)	(107,965)			(4,524,106)	(4,632,071)
Total other financing sources and (uses)	<u>1,320,250</u>	<u>107,965</u>	<u>4,512,620</u>	<u>(4,524,106)</u>	<u>1,416,729</u>
NET CHANGE IN FUND BALANCE	413,032	-	-	(1,318,854)	(905,822)
FUND BALANCE-BEGINNING	<u>6,225,822</u>	<u>-</u>	<u>-</u>	<u>1,628,530</u>	<u>7,854,352</u>
FUND BALANCE-ENDING	<u>\$ 6,638,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,676</u>	<u>\$ 6,948,530</u>

See the accompanying notes to the financial statements.

Floyd 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	\$	(905,822)
<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		(1,173,913)
<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		(612,321)
<p>Bonds sold at a discount is recorded as a other financing use on the fund financial statements but is netted against bond obligations and amortized to expense over the life of the bond in the statement of net position.</p>		
		(59,516)
<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>		
		208,475
<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>		
		(202,623)
<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>		
		3,072,012
<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		26,752
KSBIT payable		58,871
Other		
Workers compensation liability		487,638
Noncurrent sick leave payable		169,283
		1,068,836
Change in net position of governmental activities	\$	1,068,836

See the accompanying notes to the financial statements.

Floyd 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	\$ 5,415,500	\$ 5,415,500	\$ 5,378,680	\$ (36,820)
Delinquent	600,000	600,000	555,848	(44,152)
Motor vehicle	1,600,000	1,600,000	1,638,661	38,661
Unmined minerals	340,000	340,000	559,891	219,891
Franchise tax	1,500,000	1,500,000	2,699,739	1,199,739
Earnings on investments	40,000	40,000	207,866	167,866
Community service			12,235	12,235
Food service	1,000	1,000	1,253	253
Other local revenue			103,556	103,556
Intergovernmental - state	37,790,305	37,790,305	41,308,945	3,518,640
Intergovernmental - federal	315,000	315,000	244,170	(70,830)
Total revenues	<u>47,601,805</u>	<u>47,601,805</u>	<u>52,710,844</u>	<u>5,109,039</u>
EXPENDITURES				
Instruction	30,147,765	30,018,020	31,328,115	(1,310,095)
Support Services				
Student	1,444,448	1,444,448	1,531,336	(86,888)
Instructional Staff	1,594,742	1,595,442	1,620,318	(24,876)
District Administration	984,935	984,935	1,390,868	(405,933)
School Administration	4,271,486	4,273,286	4,727,823	(454,537)
Business	1,098,251	1,098,251	934,296	163,955
Plant Operation & Maintenance	7,418,888	7,418,888	6,472,170	946,718
Student Transportation	4,506,963	4,634,207	5,175,358	(541,151)
Debt Service	540,150	540,150	437,778	102,372
Total expenditures	<u>52,007,628</u>	<u>52,007,627</u>	<u>53,618,062</u>	<u>(1,610,435)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(4,405,823)	(4,405,822)	(907,218)	3,498,604
OTHER FINANCING SOURCES (USES)				
Sale of equipment, buildings, land & improvements			61,470	61,470
Capital lease proceeds			1,063,475	1,063,475
Operating transfers in	265,000	265,000	303,270	38,270
Operating transfers out	(85,000)	(85,000)	(107,965)	(22,965)
Total other financing sources and (uses)	<u>180,000</u>	<u>180,000</u>	<u>1,320,250</u>	<u>1,140,250</u>
NET CHANGE IN FUND BALANCE	(4,225,823)	(4,225,822)	413,032	4,638,854
FUND BALANCE BEGINNING	<u>6,225,822</u>	<u>6,225,822</u>	<u>6,225,822</u>	<u>-</u>
FUND BALANCE-ENDING	<u>\$ 1,999,999</u>	<u>\$ 2,000,000</u>	<u>\$ 6,638,854</u>	<u>\$ 4,638,854</u>

See the accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Earnings on investments	\$ -	\$ -	\$ 5,630	\$ 5,630
Other local revenue	13,002	76,706	225,679	148,973
Intergovernmental - state	1,590,508	1,648,908	1,524,991	(123,917)
Intergovernmental - federal	7,468,203	8,303,281	7,321,565	(981,716)
Total revenues	<u>9,071,713</u>	<u>10,028,895</u>	<u>9,077,865</u>	<u>(951,030)</u>
EXPENDITURES				
Instruction	6,664,680	7,736,483	6,483,385	1,253,098
Support Services				
Student	30,874	46,039	61,047	(15,008)
Instructional Staff	1,674,675	1,718,868	1,564,397	154,471
District Administration	20,000	20,000	20,000	-
Plant operation & maintenance	48,711	48,711	29,400	19,311
Community Services Operations	717,773	733,928	1,027,601	(293,673)
Total expenditures	<u>9,156,713</u>	<u>10,304,029</u>	<u>9,185,830</u>	<u>1,118,199</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(85,000)	(275,134)	(107,965)	167,169
OTHER FINANCING SOURCES (USES)				
Operating transfers in	85,000	107,965	107,965	-
Total other financing sources and (uses)	<u>85,000</u>	<u>107,965</u>	<u>107,965</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(167,169)	-	167,169
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ (167,169)</u>	<u>\$ -</u>	<u>\$ 167,169</u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
ASSETS			
Cash and cash equivalents	\$ 1,461,952	\$ 81,092	\$ 1,543,044
Inventories	58,354		58,354
Accounts receivable, net	53,752	100	53,852
Capital assets:			
Other capital assets, net of depreciation	692,584		692,584
Total assets	2,266,642	81,192	2,347,834
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	256,260	13,537	269,797
Deferred outflows related to OPEB	64,946	3,431	68,377
Total deferred outflows of resources	321,206	16,968	338,174
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2,587,848	98,160	2,686,008
LIABILITIES			
Accounts payable	296,864	1,279	298,143
Net pension liability	964,043	50,926	1,014,969
Net OPEB liability	281,032	14,846	295,878
Total liabilities	1,541,939	67,051	1,608,990
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	106,740	5,639	112,379
Deferred inflows related to OPEB	66,945	3,536	70,481
Total deferred inflows of resources	173,685	9,175	182,860
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,715,624	76,226	1,791,850
NET POSITION			
Net Investment in capital assets	692,584		692,584
Restricted	179,640	21,934	201,574
Total net position	872,224	21,934	894,158
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,587,848	\$ 98,160	\$ 2,686,008

See the accompanying notes to the financial statements.

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

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
OPERATING REVENUES			
Lunchroom sales	\$ 203,283	\$ -	\$ 203,283
Community services		106,148	106,148
Total operating revenues	203,283	106,148	309,431
OPERATING EXPENSES			
Food service operations			
Salaries and benefits	2,130,771		2,130,771
Operational	3,144,490		3,144,490
Day care operations			
Salaries and benefits		102,440	102,440
Operational		36,491	36,491
Depreciation	44,081		44,081
Total operating expenses	5,319,342	138,931	5,458,273
Operating income (loss)	(5,116,059)	(32,783)	(5,148,842)
NONOPERATING REVENUES (EXPENSES)			
Federal grants	4,563,882		4,563,882
State grants	373,525	16,298	389,823
Transfers in (out)	(291,784)		(291,784)
Earnings from investments	41,743		41,743
Total nonoperating revenues (expenses)	4,687,366	16,298	4,703,664
CHANGE IN NET POSITION	(428,693)	(16,485)	(445,178)
NET POSITION-BEGINNING	1,300,917	38,419	1,339,336
NET POSITION-ENDING	\$ 872,224	\$ 21,934	\$ 894,158

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	<u>Enterprise Funds</u>		
	<u>School Food Services</u>	<u>Child Care Services</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 203,283	\$ 106,148	\$ 309,431
Payments to suppliers	(2,753,654)	(35,906)	(2,789,560)
Payments to employees	(2,130,771)	(102,440)	(2,233,211)
Net cash provided (used) by operating activities	<u>(4,681,142)</u>	<u>(32,198)</u>	<u>(4,713,340)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants and contributions	4,937,407	16,298	4,953,705
Net cash provided (used) by noncapital financing activities	<u>4,937,407</u>	<u>16,298</u>	<u>4,953,705</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers	(291,784)		(291,784)
Net cash provided (used) by capital and related financing activities	<u>(291,784)</u>	<u>-</u>	<u>(291,784)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	41,744	-	41,744
Net cash provided (used) by investing activities	<u>41,744</u>	<u>-</u>	<u>41,744</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,225	(15,900)	(9,675)
CASH AND CASH EQUIVALENTS-BEGINNING	1,455,727	96,992	1,552,719
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 1,461,952</u>	<u>\$ 81,092</u>	<u>\$ 1,543,044</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (5,116,059)	\$ (32,783)	\$ (5,148,842)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	44,081		44,081
Changes in assets and liabilities:			
Receivables	(52,072)	(100)	(52,172)
Inventories	(3,419)		(3,419)
Deferrals	48,110	6,616	54,726
Deferrals	63,899	2,164	66,063
Net pension liability	88,131	(5,009)	83,122
Net OPEB liability	(19,803)	(4,365)	(24,168)
Accrued liabilities	265,990	1,279	267,269
Net cash provided provided (used) by operating activities	<u>\$ (4,681,142)</u>	<u>\$ (32,198)</u>	<u>\$ (4,713,340)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$199,887 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 \$336,818 for food services and \$14,498 for day care services provided by state government.

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2019

		Fiduciary Fund Total
<hr/>		
ASSETS		
Cash and cash equivalents	\$	424,085
Accounts receivable		1,188
<hr/>		
TOTAL ASSETS		<u>425,273</u>
 LIABILITIES		
Accounts payable		8,457
Due to student groups		416,816
<hr/>		
TOTAL LIABILITIES	\$	<u>425,273</u>

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Floyd 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 Floyd 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 Floyd 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

The Board authorized establishment of the Floyd 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 Floyd 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. KDE requires this fund to be a major fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) District Activity Fund

The District Activity Fund is a Special Revenue fund type and is used to account for funds collected at individual schools for operation costs of the schools or school district that allows for more flexibility in the expenditures of those funds.

(D) 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.

(E) 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. The District considers this a major fund.

II. Proprietary Funds (Enterprise Funds)

(A) 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. This is a major fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(B) Day Care Fund

The Day Care Fund is used to account for child care activities.

The District applies all GASB pronouncements to proprietary funds.

III. Fiduciary Fund Types

(A) Agency Funds

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The schools funds are accounted for in accordance with “Accounting Procedures for Kentucky School Activity Funds.”

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<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, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 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 are 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.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were \$.692 per \$100 valuation of real property, \$.692 per \$100 valuation for business personal property and \$.554 per \$100 valuation for motor vehicles.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Contributions of Capital

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

Interfund 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 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 to 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. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The District's General Fund expenditures exceed its approval budget appropriations by \$1,610,434.

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.

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 \$8,337,804. The bank balance for the same time was \$14,177,286.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

<u>Governmental Activities</u>	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Land	\$ 4,797,250	\$ -	\$ -	\$ 4,797,250
Land improvements	1,927,458	-	-	1,927,458
Buildings	87,363,217	134,391	-	87,497,608
Technology equipment	11,078,725	-	446,325	10,632,401
Vehicles	9,663,646	1,058,563	-	10,722,209
General equipment	3,237,153	17,400	11,482	3,243,071
Infrastructure	6,789,261	-	-	6,789,261
Construction in progress	60,950,303	1,869,866	-	62,820,169
Total at historical cost	\$ <u>185,807,014</u>	\$ <u>3,080,220</u>	\$ <u>457,807</u>	\$ <u>188,429,428</u>
Less: Accumulated depreciation				
Land improvements	\$ 707,724	\$ 96,097	\$ -	\$ 803,820
Buildings	38,092,454	1,381,518	-	39,473,972
Technology equipment	10,117,754	654,086	443,729	10,328,111
Vehicles	7,755,376	382,194	-	8,137,570
General equipment	2,805,351	70,385	6,602	2,869,134
Infrastructure	5,144,021	279,990	-	5,424,011
Total accumulated depreciation	\$ <u>64,622,679</u>	\$ <u>2,864,270</u>	\$ <u>450,331</u>	\$ <u>67,036,618</u>
Governmental Activities Capital Assets-net	\$ <u>121,184,335</u>	\$ <u>215,950</u>	\$ <u>7,475</u>	\$ <u>121,392,810</u>
<u>Business-Type Activities</u>	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Buildings	\$ 1,592,932	\$ -	\$ -	\$ 1,592,932
Technology equipment	43,019	-	-	43,019
General equipment	1,552,885	-	-	1,552,885
Total at historical cost	\$ <u>3,188,835</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,188,835</u>
Less: Accumulated depreciation				
Vehicles	962,618	31,616	-	994,233
Technology equipment	42,015	354	-	42,369
General equipment	1,447,537	12,112	-	1,459,649
Total accumulated depreciation	\$ <u>2,452,170</u>	\$ <u>44,082</u>	\$ <u>-</u>	\$ <u>2,496,251</u>
Business-Type Activities Capital Assets-net	\$ <u>736,666</u>	\$ <u>(44,082)</u>	\$ <u>-</u>	\$ <u>692,584</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Floyd 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:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2018 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2019 Outstanding Balance</u>
2015	\$52,595,000	08/01/35	2.0 - 4.0%	\$ 49,550,000	\$ -	\$ 1,675,000	\$ 47,875,000
2014R	6,685,000	03/01/26	2.0 - 3.0%	5,340,000	-	615,000	4,725,000
2017	10,560,000	03/01/37	3-3.75%	10,345,000	-	235,000	10,110,000
2008	2,115,000	04/01/28	2.8 - 3.75%	1,350,000	-	115,000	1,235,000
2010R	5,320,000	04/01/22	2.0 - 3.0%	1,860,000	-	525,000	1,335,000
2012R	2,870,000	12/01/24	1.35 -2.625%	2,015,000	-	265,000	1,750,000
2013R	3,315,000	10/01/25	1.0 - 2.0%	2,605,000	-	305,000	2,300,000
				73,065,000	-	3,735,000	69,330,000
Add:	Premium			79,642	-	9,955	69,686
Less:	Discount			(1,171,875)	-	(69,472)	(1,102,403)
	Totals			<u>\$ 71,972,767</u>	<u>\$ -</u>	<u>\$ 3,675,483</u>	<u>\$ 68,297,283</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:

<u>YEAR</u>	<u>LOCAL</u>		<u>KSFCC</u>		<u>PRINCIPAL TOTAL</u>	<u>INTEREST TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		
2020	2,634,074	1,880,443	1,200,926	321,766	3,835,000	2,202,209
2021	2,708,081	1,808,448	1,231,919	290,772	3,940,000	2,099,220
2022	2,779,132	1,733,579	950,868	258,872	3,730,000	1,992,451
2023	2,861,415	1,652,146	948,585	233,911	3,810,000	1,886,058
2024	2,941,421	1,571,387	973,579	208,919	3,915,000	1,780,306
2025-2029	16,073,805	6,497,272	2,926,195	693,478	19,000,000	7,190,750
2030-2034	18,951,743	3,627,307	1,868,257	331,168	20,820,000	3,958,475
2035-2037	9,473,035	470,357	806,965	35,993	10,280,000	506,350
	<u>\$ 58,422,706</u>	<u>\$ 19,240,940</u>	<u>\$ 10,907,294</u>	<u>\$ 2,374,879</u>	<u>\$ 69,330,000</u>	<u>\$ 21,615,819</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Workers Compensation Liability

The District participates in a self insurance plan for worker’s compensation. The District provides coverage up to the retention factor of \$250,000 per occurrence. Claims in excess of that amount are covered 100% by an outside insurer for workers’ compensation claims. The activity during fiscal year 2019 for workers compensation liability is as follows:

	2018	Claims & Changes	Claims	2019
	Outstanding	In Estimates	Payments	Outstanding
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Workers Compensation Liability	\$ 1,468,543	\$ 18,968	\$ 506,606	\$ 980,905
Totals	\$ 1,468,543	\$ 18,968	\$ 506,606	\$ 980,905

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		2019
	Outstanding		Outstanding
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>
	<u>Balance</u>		<u>Balance</u>
Sick Leave	\$ 443,163	\$ -	\$ 169,283
Totals	\$ 443,163	\$ -	\$ 169,283

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:

	Original	Maturity	Interest	2018		2019
<u>KISTA Issues</u>	<u>Amount</u>	<u>Date</u>	<u>Rates</u>	<u>KISTA</u>	<u>Additions</u>	<u>KISTA</u>
				<u>Outstanding</u>	<u>Retirements</u>	<u>Outstanding</u>
KSBIT	\$ 1,018,010	8/15/2029	2.0 - 4.0%	\$ 858,906	\$ -	\$ 58,871
						\$ 800,035

The minimum payments are as follows:

Fiscal			
<u>Year Ended</u>	<u>Local</u>	<u>Interest</u>	<u>Total</u>
<u>June 30th</u>	<u>Principal</u>		<u>Payments</u>
2020	61,674	27,145	88,819
2021	61,688	25,556	87,244
2022	63,770	23,675	87,445
2023	65,304	21,738	87,042
2024	70,870	19,651	90,521
2025-2029	387,083	57,581	444,664
2030-2031	89,646	1,793	91,439
	\$ 800,035	\$ 177,139	\$ 977,174

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Net Pension & OPEB Liability

The net pension liability is \$19,163,672 for governmental activities and \$1,014,969 for business-type activities for a total of \$20,178,641 as of June 30, 2019. (See Note G for additional information) The net OPEB liability is \$18,692,483 for governmental activities and \$295,878 for business-type activities for a total of \$18,988,361 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 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2019 Outstanding Balance</u>	<u>Amount Due in 1 Year</u>
Bonds, Net Premium and Discount	\$ 71,972,767	\$ -	3,675,483	\$ 68,297,283	\$ 3,835,000
Capital Leases (See Note E below)	2,111,183	1,063,475	400,487	2,774,171	379,610
Workers Compensation Liability	1,468,543	18,968	506,606	980,905	57,175
Sick Leave	443,163	-	169,283	273,880	-
KSBIT	858,906	-	58,871	800,035	61,674
Net Pension Liability	20,478,148	-	299,507	20,178,641	-
Net OPEB Liability	21,390,301	-	2,401,940	18,988,361	-
Totals	<u>\$ 118,723,011</u>	<u>\$ 1,082,443</u>	<u>\$ 7,512,177</u>	<u>\$ 112,293,276</u>	<u>\$ 4,333,459</u>

NOTE E – CAPITAL LEASE PAYABLE

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

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2018 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2019 Outstanding Balance</u>
2009	\$1,153,207	03/01/19	2.0 - 3.9%	\$ 109,748	\$ -	\$ 109,748	\$ -
2013	\$1,103,943	03/01/23	2.0%	539,244	-	111,608	427,636
2017	\$1,633,180	03/01/27	2.55%	1,462,191	-	179,131	1,283,060
2019	\$1,063,475	03/01/29	3.0%	-	1,063,475	-	1,063,475
Totals				<u>\$ 2,111,183</u>	<u>\$ 1,063,475</u>	<u>\$ 400,487</u>	<u>\$ 2,774,171</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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2020	379,610	72,732	452,342
2021	388,764	63,611	452,375
2022	360,482	53,817	414,299
2023	369,600	44,705	414,305
2024	276,900	35,358	312,258
2025-2029	998,815	68,738	1,067,553
	<u>\$ 2,774,171</u>	<u>\$ 338,959</u>	<u>\$ 3,113,130</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Total minimum lease payments	\$	3,113,130
Less: Amount representing interest		<u>(338,959)</u>
Present Value of Net Minimum		
Lease Payments	\$	<u><u>2,774,171</u></u>

The assets acquired through the capital leases are as follows:

		Governmental
		<u>Activities</u>
Buses	\$	5,666,194
Less: Accumulated Depreciation		<u>(2,753,648)</u>
Total	\$	<u><u>2,912,546</u></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:

Fiscal Year	
Ended June 30,	<u>Payment</u>
2020	79,026
2021	48,313
2022	16,671
2023	1,406
Total	<u><u>\$ 145,416</u></u>

Expenditures for equipment under operating leases for the year ended June 30, 2019 totaled \$82,362.

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>.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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>95,076,608</u>
	\$	<u><u>95,076,608</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 0.7261%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

- 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	<u>100.0%</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount 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:

	1% Decrease	Current Discount Rate	1% Increase
KTRS	6.50%	7.50%	8.50%
Commonwealth's proportionate share of net pension liability	\$ 121,871,159	\$ 95,076,608	\$ 72,532,574

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$1,795,317 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%.

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 0.331324%.

District's proportionate share of CERS net pension liability	\$ 20,178,641
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>-</u>
	\$ <u><u>20,178,641</u></u>

For the year ended June 30, 2019, the District recognized pension expense of \$1,315,521. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 658,171	295,373
Changes of assumptions	1,972,040	-
Net difference between projected and actual earnings on pension plan investments	938,322	1,180,275
Changes in proportion and differences between District contributions and proportionate share of contributions		758,557
District contributions subsequent to the measurement date	<u>1,795,317</u>	<u>-</u>
	<u>\$ 5,363,850</u>	<u>\$ 2,234,205</u>

The \$1,795,317 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.

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	\$ 1,271,881
2021	523,921
2022	(353,170)
2023	<u>(108,304)</u>
	<u>\$ 1,334,328</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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 25,402,820	\$ 20,178,641	\$ 15,801,695

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 \$620,694. The District does not contribute to these plans.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 \$13,106,000 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 .377735 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	\$	13,106,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		11,295,000
	\$	24,401,000

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,250,000
Changes of assumptions	335,000	-
Net difference between projected and actual earnings on pension plan investments	-	99,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	856,000
District contributions subsequent to the measurement date	<u>670,991</u>	<u>-</u>
	\$ <u>1,005,991</u>	\$ <u>2,205,000</u>

The \$670,991 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:

	<u>Year Ended June 30,</u>
2020	\$ (362,000)
2021	(362,000)
2022	(362,000)
2023	(318,000)
2024	(326,000)
Thereafter	<u>(140,000)</u>
	\$ <u>(1,870,000)</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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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:

- 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
KTRS	7.00%	8.00%	9.00%
District's & State's proportionate share of net OPEB liability	\$ 28,614,000	\$ 24,401,000	\$ 20,892,000

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	\$ 20,234,000	\$ 24,401,000	\$ 29,543,000

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

District's proportionate share of KTRS net OPEB liability	\$	-
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		<u>194,000</u>
	\$	<u><u>194,000</u></u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$436,629 and revenue of \$436,629 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%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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.

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	\$ 295,000	\$ 194,000	\$ 111,000

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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><u>\$ 721,193</u></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 \$5,882,361 for its proportionate share of the collective net OPEB liability. 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 .33131100 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	\$ 5,882,361
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>-</u>
	<u><u>\$ 5,882,361</u></u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$215,119. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	685,511
Changes of assumptions	1,174,795	13,591
Net difference between projected and actual earnings on pension plan investments	-	405,179
Changes in proportion and differences between District contributions and proportionate share of contributions	-	296,964
District contributions subsequent to the measurement date	<u>184,622</u>	<u>-</u>
	\$ <u>1,359,417</u>	\$ <u>1,401,245</u>

The \$184,622 (includes \$94,894 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:

	<u>Year Ended June 30,</u>
2020	\$ (35,690)
2021	(35,690)
2022	(35,690)
2023	43,003
2024	(107,602)
Thereafter	<u>(54,781)</u>
	\$ <u>(226,450)</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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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	\$ 7,640,244	\$ 5,882,361	\$ 4,384,966

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 4,379,476	\$ 5,882,361	\$ 7,653,830

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 – COMMITMENTS

The District has commitments of \$3,895,582 as of June 30, 2019 for future construction projects. Also, the District Activity Fund has \$36,248 committed for district activities.

NOTE K - 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 L - LITIGATION

The District is subject to legal action in early states of litigation, the outcome of which is not determinable at this time and has been turned over to the District's insurance company. It is too early to estimate the likelihood of an unfavorable outcome or the possibility of an out-of-court settlement or coverage by the insurance company.

NOTE M – 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 and self-insured workers compensation.

NOTE N – 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

unemployment, errors and omission, and general liability coverage, the District purchased commercial insurance policies and a self-insured workers compensation plan.

NOTE O – DEFICIT FUND AND OPERATING BALANCES

The following funds had a deficit change in fund balance/net position:

<u>Fund</u>	<u>Change in Net Position/ Net Change in Fund Balance</u>
Construction Fund	\$ (1,348,696)
Food Service	(428,693)
Other Proprietary	\$ (16,485)

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).

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>
Operations	General Fund	Special Revenue Fund	KETS Matching	\$ 107,965
Debt Service	Building Fund	Debt Service Fund	Debt Payments	4,287,852
Debt Service	Capital Outlay Fund	Debt Service Fund	Debt Payments	224,844
Operations	Food Service	General Fund	Indirect Costs	291,785
Operations	Capital Outlay Fund	Construction Fund	Operating Expenditures	252,876
Operations	Capital Outlay Fund	General Fund	Operating Expenditures	\$ 11,485

NOTE R – RESTRICTED FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 239,044	Future Construction
Food Service	179,640	School Food Service Operations
Day Care	21,934	Day Care Operations
Capital Outlay	31,384	SFCC Requirements
FSPK	\$ 3,000	SFCC Requirements

NOTE S – ON-BEHALF PAYMENTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 & 75)	\$ 7,475,627
Health Insurance	6,260,886
Life Insurance	10,843
Administrative Fee	89,341
HRA/Dental/Vision	369,150
Federal Reimbursement	(694,957)
Technology	111,433
SFCC Debt Service Payments	<u>1,522,691</u>
Total	<u>\$ 15,145,014</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 T – DONATED PROPERTY

The U.S. Army Corp of Engineers and the Floyd County Fiscal Court entered into a Project Cooperation Agreement to construct the Floyd County Board Of Education’s Renaissance Learning Center in Fiscal Year 2016. The project is currently under construction as of June 30, 2019. The Center will be donated to the District and recorded on their financial statements upon completion of the project. The estimated cost of the Project is \$9,922,166.

NOTE U – SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 27, 2019, the date the financial statements were available to be issued.

FLOYD 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	0.33132%	0.34986%	0.363830%	0.37033%
District's proportionate share of the net pension liability	\$ 20,178,641	\$ 20,478,148	\$ 17,476,584	\$ 15,642,816
State's proportionate share of the net pension liability associated with the District	-	-	-	-
Total	<u>\$ 20,178,641</u>	<u>\$ 20,478,148</u>	<u>\$ 17,476,584</u>	<u>\$ 15,642,816</u>
District's covered-employee payroll	\$ 8,209,381	\$ 8,525,285	\$ 8,576,919	\$ 8,486,022
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.80%	240.20%	203.76%	184.34%
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	0.726%	0.756%	0.774%	0.773%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>95,076,608</u>	<u>203,947,183</u>	<u>228,349,125</u>	<u>179,859,188</u>
Total	<u>\$ 95,076,608</u>	<u>\$ 203,947,183</u>	<u>\$ 228,349,125</u>	<u>\$ 179,859,188</u>
District's covered-employee payroll	\$ 25,745,431	\$ 26,444,203	\$ 26,686,750	\$ 26,483,619
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.

FLOYD 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	\$ 1,795,317	\$ 1,517,121	\$ 1,614,476	\$ 1,463,221
Contributions in relation to the contractually required contributions	1,795,317	1,517,121	1,614,476	1,463,221
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 8,677,251	\$ 8,209,381	\$ 8,525,285	\$ 8,576,919
District's contributions as a percentage of it's covered-employee payroll	20.69%	18.48%	18.94%	17.06%
 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	\$ 25,685,195	\$ 25,745,431	\$ 26,444,203	\$ 26,686,750
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.

FLOYD 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%

FLOYD 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.

FLOYD 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)	0.37774%	0.40262%
District's proportionate share of the collective net OPEB liability (asset)	\$ 13,106,000	\$ 14,357,001
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>11,295,000</u>	<u>11,727,000</u>
Total	<u>\$ 24,401,000</u>	<u>\$ 26,084,001</u>
District's covered-employee payroll	\$ 25,745,431	\$ 26,444,203
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	55.77%	54.29%
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>194,000</u>	<u>157,000</u>
Total	<u>\$ 194,000</u>	<u>\$ 157,000</u>
District's covered-employee payroll	\$ 25,745,431	\$ 26,444,203
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.

FLOYD 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	\$ 670,991	\$ 673,620
Contributions in relation to the contractually required contribution	670,991	673,620
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 25,685,195	\$ 25,745,431
District's contributions as a percentage of it's covered-employee payroll	2.61%	2.62%
LIFE INSURANCE PLAN		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 25,685,195	\$ 25,745,431
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.

FLOYD 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)	0.33131%	0.34986%
District's proportionate share of the collective net OPEB liability (asset)	\$ 5,882,361	\$ 7,033,302
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>-</u>	<u>-</u>
Total	<u>\$ 5,882,361</u>	<u>\$ 7,033,302</u>
District's covered-employee payroll	\$ 8,209,381	\$ 8,525,285
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	71.65%	82.50%
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	\$ 184,622	\$ 160,780
Contributions in relation to the contractually		
	184,622	160,780
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 8,677,251	\$ 8,209,381
District's contributions as a percentage of it's covered-employee payroll	2.13%	1.96%

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.

FLOYD 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

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

Life Insurance Fund

- o Amortization period switched to closed.
- o Projected salary increases increased to 4%.
- o Inflation rate increased to 3.5%.
- o Wage inflation increased to 4%.
- o 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:

FLOYD 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.

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

	Other Governmental Funds				
	Capital Outlay	FSPK Fund	Construction	District Activity	Total
Assets					
Cash and Cash Equivalents	\$ 31,384	\$ 3,000	\$ 239,044	\$ 36,892	\$ 310,320
Receivables					
Accounts				52	52
Total Assets	31,384	3,000	239,044	36,944	310,372
Liabilities					
Accounts Payable				696	696
Total Liabilities	-	-	-	696	696
Fund Balance					
Restricted	31,384	3,000	239,044		273,428
Committed				36,248	36,248
Total Fund Balance	31,384	3,000	239,044	36,248	309,676
TOTAL LIABILITIES AND FUND BALANCE	\$ 31,384	\$ 3,000	\$ 239,044	\$ 36,944	\$ 310,372

See the accompanying notes to the financial statements.

Floyd 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	District Activity	Total
Revenues					
Property taxes	\$ -	\$ 1,874,968	\$ -	\$ -	\$ 1,874,968
Earnings on Investments	166	77	1,652		1,895
Student activities				51,650	51,650
Intergovernmental - State	514,123	2,412,808	266,642		3,193,573
Total Revenues	514,289	4,287,853	268,294	51,650	5,122,086
Expenditures					
Instruction				20,495	20,495
Land/Site acquisition			34,787		34,787
Building acquisition & construction			1,704,125		1,704,125
Other facilities			130,954		130,954
Plant operations & maintenance				26,473	26,473
Total Expenditures	-	-	1,869,866	46,968	1,916,834
Excess (Deficit) of Revenues Over Expenditures	514,289	4,287,853	(1,601,572)	4,682	3,205,252
Other Financing Sources (Uses)					
Transfers In (Out)	(489,206)	(4,287,776)	252,876		(4,524,106)
Total Other Financing Sources (Uses)	(489,206)	(4,287,776)	252,876	-	(4,524,106)
Net Change in Fund Balances	25,083	77	(1,348,696)	4,682	(1,318,854)
Fund Balance Beginning	6,301	2,923	1,587,740	31,566	1,628,530
Fund Balance Ending	\$ 31,384	\$ 3,000	\$ 239,044	\$ 36,248	\$ 309,676

See the accompanying notes to the financial statements.

Floyd County School District
Combining Balance Sheet of Fiduciary Fund
School Activity Funds
June 30, 2019

	<u>BETSY LANE HIGH</u>	<u>FLOYD CENTRAL HIGH</u>	<u>PRESTONSBURG HIGH</u>	<u>SOUTH FLOYD HIGH</u>	<u>ADAMS MIDDLE</u>	<u>ALLEN ELEMENTARY</u>	<u>BETSY LANE ELEMENTARY</u>	<u>DUFF-ALLEN CENTRAL ELEMENTARY</u>
ASSETS								
Cash and cash equivalents	\$ 71,136	\$ 68,255	\$ 53,383	\$ -	\$ 29,691	\$ 30,608	\$ 45,779	\$ 37,211
Accounts receivable	<u>-</u>	<u>-</u>	<u>837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>71,136</u></u>	<u><u>68,255</u></u>	<u><u>54,220</u></u>	<u><u>-</u></u>	<u><u>29,691</u></u>	<u><u>30,608</u></u>	<u><u>45,779</u></u>	<u><u>37,211</u></u>
LIABILITIES								
Accounts payable	2,629	375	551	-	-	1,945	-	-
FUND BALANCE								
School Activities	<u>68,507</u>	<u>67,880</u>	<u>53,669</u>	<u>-</u>	<u>29,691</u>	<u>28,663</u>	<u>45,779</u>	<u>37,211</u>
Total Liabilities & Fund Balance	<u><u>\$ 71,136</u></u>	<u><u>\$ 68,255</u></u>	<u><u>\$ 54,220</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,691</u></u>	<u><u>\$ 30,608</u></u>	<u><u>\$ 45,779</u></u>	<u><u>\$ 37,211</u></u>

See the accompanying notes to the financial statements.

Floyd County School District
Combining Balance Sheet of Fiduciary Fund
School Activity Funds
 June 30, 2019

	<u>MAY VALLEY ELEMENTARY</u>	<u>PRESTONSBURG ELEMENTARY</u>	<u>SOUTH FLOYD ELEMENTARY</u>	<u>STUMBO ELEMENTARY</u>	<u>RENAISSANCE LEARNING</u>	<u>FIDUCIARY FUND TOTAL</u>
ASSETS						
Cash and cash equivalents	\$ 15,032	\$ 16,610	\$ 37,192	\$ 19,188	\$ -	\$ 424,085
Accounts receivable	<u>-</u>	<u>-</u>	<u>216</u>	<u>135</u>	<u>-</u>	<u>1,188</u>
Total Assets	<u>15,032</u>	<u>16,610</u>	<u>37,408</u>	<u>19,323</u>	<u>-</u>	<u>425,273</u>
LIABILITIES						
Accounts payable	1,961	251	-	745	-	8,457
FUND BALANCE						
School Activities	<u>13,071</u>	<u>16,359</u>	<u>37,408</u>	<u>18,578</u>	<u>-</u>	<u>416,816</u>
Total Liabilities & Fund Balance	<u>\$ 15,032</u>	<u>\$ 16,610</u>	<u>\$ 37,408</u>	<u>\$ 19,323</u>	<u>\$ -</u>	<u>\$ 425,273</u>

See the accompanying notes to the financial statements.

Floyd County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
School Activity Funds
Year ended June 30, 2018

	<u>BETSY LANE HIGH</u>	<u>FLOYD CENTRAL HIGH</u>	<u>PRESTONSBURG HIGH</u>	<u>SOUTH FLOYD HIGH</u>	<u>ADAMS MIDDLE</u>	<u>ALLEN ELEMENTARY</u>	<u>BETSY LANE ELEMENTARY</u>	<u>DUFF-ALLEN CENTRAL ELEMENTARY</u>
REVENUES								
Student revenues	\$ 235,634	\$ 299,237	\$ 136,314	\$ -	\$ 149,669	\$ 74,073	\$ 154,818	\$ 156,889
Total Revenues	<u>235,634</u>	<u>299,237</u>	<u>136,314</u>	<u>-</u>	<u>149,669</u>	<u>74,073</u>	<u>154,818</u>	<u>156,889</u>
EXPENDITURES								
Student activities	214,521	285,502	131,856	10,000	138,525	61,143	156,727	157,825
Total Expenditures	<u>214,521</u>	<u>285,502</u>	<u>131,856</u>	<u>10,000</u>	<u>138,525</u>	<u>61,143</u>	<u>156,727</u>	<u>157,825</u>
Excess (Deficit) of Revenues Over Expenditures	21,113	13,735	4,458	(10,000)	11,144	12,930	(1,909)	(936)
FUND BALANCE, BEGINNING	<u>47,394</u>	<u>54,145</u>	<u>49,211</u>	<u>10,000</u>	<u>18,547</u>	<u>15,733</u>	<u>47,688</u>	<u>38,147</u>
FUND BALANCE, ENDING	<u>\$ 68,507</u>	<u>\$ 67,880</u>	<u>\$ 53,669</u>	<u>\$ -</u>	<u>\$ 29,691</u>	<u>\$ 28,663</u>	<u>\$ 45,779</u>	<u>\$ 37,211</u>

See the accompanying notes to the financial statements.

Floyd County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
School Activity Funds
Year ended June 30, 2019

	<u>MAY VALLEY ELEMENTARY</u>	<u>PRESTONSBURG ELEMENTARY</u>	<u>SOUTH FLOYD ELEMENTARY</u>	<u>STUMBO ELEMENTARY</u>	<u>RENAISSANCE LEARNING</u>	<u>FIDUCIARY FUND TOTAL</u>
REVENUES						
Student revenues	\$ 105,815	\$ 72,501	\$ 196,396	\$ 109,866	\$ -	\$ 1,691,212
Total Revenues	<u>105,815</u>	<u>72,501</u>	<u>196,396</u>	<u>109,866</u>	<u>-</u>	<u>1,691,212</u>
EXPENDITURES						
Student activities	106,258	75,766	181,560	102,860	1	1,622,544
Total Expenditures	<u>106,258</u>	<u>75,766</u>	<u>181,560</u>	<u>102,860</u>	<u>1</u>	<u>1,622,544</u>
Excess (Deficit) of Revenues Over Expenditures	(443)	(3,265)	14,836	7,006	(1)	68,668
FUND BALANCE, BEGINNING	<u>13,514</u>	<u>19,624</u>	<u>22,572</u>	<u>11,572</u>	<u>1</u>	<u>348,148</u>
FUND BALANCE, ENDING	<u>\$ 13,071</u>	<u>\$ 16,359</u>	<u>\$ 37,408</u>	<u>\$ 18,578</u>	<u>\$ -</u>	<u>\$ 416,816</u>

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
BETSY LANE HIGH SCHOOL
YEAR ENDED JUNE 30, 2019

	FUND BALANCE BEGINNING	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE ENDING
GENERAL FUND	\$ 528	\$ 1,813	\$ 798	\$ -	\$ 1,543
KYA	313	-	-	(313)	-
AEROSPACE	511	-	-	(511)	-
STUDENT VENDING	2,695	7,326	8,245	3,312	5,088
SCIENCE OLYMPIAD	899	4,582	5,046	-	435
ROBOTICS	28	-	-	-	28
ENGINEERING CLUB	-	50	-	-	50
JOURNALISM	4	-	-	-	4
PEP CLUB	730	-	-	(730)	-
TEACHER VENDING	1,859	2,093	2,517	3,518	4,953
TAG	-	600	600	-	-
STAFF FLOWER FUND	262	15	-	-	277
ANTHROPOLOGY	803	-	-	-	803
MEDIA PRODUCTIONS	185	-	-	-	185
SCHOOL WIDE FUNDRAISER	-	11,584	6,066	(5,518)	-
SCHWANS ICE CREAM	2	1,880	1,050	(832)	-
BLHS CHAMPIONS	12	-	-	-	12
ATHLETIC	9,307	49,215	43,449	910	15,983
SPANISH CLUB	76	-	-	-	76
ART	-	337	191	-	146
MUSIC AND BAND	312	520	481	-	351
SPECIAL ED	412	75	112	-	375
PRIDE CLUB	926	-	-	(926)	-
ACADEMIC	514	-	90	-	424
BETA CLUB	65	380	359	-	86
FORENSICS	188	-	-	-	188
LIBRARY	227	-	-	-	227
STUDENT COUNCIL	14	-	-	-	14
SENIOR CLASS	1,089	9,063	9,278	(26)	848
JUNIOR CLASS	4,773	18,822	20,319	26	3,302
ARCHERY	33	2,972	1,582	-	1,423
COUNSELOR	211	30	(45)	-	286
YEARBOOK	-	1,296	1,296	-	-
DANCE	-	1,445	876	-	569
FOOTBALL	2,532	15,045	14,496	145	3,226
GIRLSBBALLBOOSTERS	3,929	13,904	17,451	1,900	2,282
VOLLEYBALL	1,899	13,307	13,412	-	1,794
GIRLS CHEERLEADERS	1,638	25,636	26,065	(1,045)	164
NATIONAL HONOR SOCIETY	227	270	439	-	58
BOYS BASKETBALL HOOPSTERS	3,354	19,134	14,322	(70)	8,096
GIRLS SOFTBALL	2,228	2,144	2,924	-	1,448
BOYS BASEBALL	4,418	17,867	9,085	160	13,360
TRACK TEAM	66	5,673	5,469	-	270
BOWLING	113	168	160	-	121
GOLF TEAM	11	-	-	-	11
SWEEP ACCOUNT	1	8,388	8,388	-	1
Totals	\$ 47,394	\$ 235,634	\$ 214,521	\$ -	\$ 68,507

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
FLOYD CENTRAL HIGH SCHOOL
YEAR ENDED JUNE 30, 2019

	FUND BALANCE BEGINNING	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE ENDING
DEBBIE HALL SCHOLARSHIP	\$ 164	\$ -	\$ -	\$ -	164
VOLLEYBALL	150	22,008	12,742	98	9,514
BOYS BASKETBALL	6,509	30,281	33,854	-	2,936
GIRLS BASKETBALL	465	24,506	22,991	-	1,980
SPANISH	68	-	-	-	68
GENERAL FUND	(126)	2,996	1,053	168	1,985
ATHLETICS	18,100	27,036	43,012	(70)	2,054
LIBRARY	724	-	-	-	724
ACHS ENERGY TEAM	168	-	-	(168)	-
BASEBALL	2,085	11,529	8,160	-	5,454
BAND/MUSIC	1,737	14,313	12,995	-	3,055
KYA	841	2,115	2,956	-	-
SCIENSE OLYMPIAD	1,218	-	-	-	1,218
SCHOOL PICTURES	324	930	1,075	-	179
CBI	9	-	-	-	9
CHILDRENS INC	1,480	1,218	639	-	2,059
MATH CLUB	452	2,408	2,031	-	829
GUIDANCE	45	-	-	-	45
GOOD SAMS CLUB	198	-	-	-	198
ACADEMICS	-	14,393	9,371	-	5,022
ART	27	-	-	-	27
STUDENT VENDING	2,654	3,482	4,277	124	1,983
AP CLASSES	-	255	-	-	255
PHOTO STUDIO	6	-	-	-	6
TEACHER VENDING	550	2,637	2,937	-	250
FOOTBALL	2,915	35,703	30,353	-	8,265
FRESHMAN 2013	123	-	-	(123)	-
TALENTED & GIFTED	-	2,400	2,400	-	-
JUNIORS	494	14,634	14,878	-	250
SENIORS	1,692	4,291	3,942	-	2,041
JROTC	790	6,545	7,020	(70)	245
STUDENT COUNCIL	203	100	186	-	117
CADD	28	-	-	(28)	-
CHEERLEADING	5,240	22,240	22,747	-	4,733
MOLLETT SCH INTEREST	273	-	-	-	273
MOLLETT SCH CD	8	-	-	-	8
TEXTBOOK	-	-	(1,268)	-	1,268
YEARBOOK	218	2,457	2,268	-	407
BETA CLUB	-	2,794	2,727	-	67
GREENHOUSE	1	-	-	(1)	-
SOFTBALL	(26)	12,137	6,692	(70)	5,349
KSTC ADVANCE KENTUCKY	139	-	-	-	139
SPANISH NAT HONOR	2	334	336	-	-
GOLF	2,517	1,250	2,345	-	1,422
ARCHERY	1,585	18,974	20,133	140	566
NATIONAL HONOR SOCIETY	56	350	312	-	94
MEDIA	-	545	399	-	146
PLTW BIO MEDICAL	39	675	568	-	146
AP EXAM	-	850	-	-	850
BASS FISHING	-	1,465	1,465	-	-
JAQUAR CAFÉ	-	773	349	-	424
CHORUS	-	753	310	-	443
FLAG TEAM	-	163	150	-	13
FAMILY RESOURCE CENTER	-	600	-	-	600
DISTRICT ACTIVITY FUNDS	-	9,097	9,097	-	-
Totals	\$ 54,145	\$ 299,237	\$ 285,502	\$ -	\$ 67,880

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
PRESTONSBURG HIGH SCHOOL
YEAR ENDED JUNE 30, 2019

	FUND BALANCE BEGINNING	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE ENDING
GENERAL FUND	\$ 3,172	\$ 5,454	\$ 5,623	\$ (89)	\$ 2,914
TRACK TEAM	700	8,285	8,716	-	269
SCHOOL PICTURES	1	-	1	-	-
GOLF TEAM	4,046	7,901	6,812	-	5,135
ATHLETIC	10,788	60,034	62,007	-	8,815
BOYS BASKETBALL	-	500	-	-	500
FOOTBALL TEAM	-	7,284	3,351	-	3,933
WRESTLING TEAM	-	300	-	-	300
LIBRARY CAFÉ	807	265	108	-	964
JUNIOR CLASS	4,292	7,309	6,777	-	4,824
PAW PRINTS MAGAZINE	52	-	-	-	52
PSAT	-	20	-	-	20
SENIOR CLASS	200	-	100	-	100
AP EXAMS	58	4,847	3,978	-	927
CAP/GOWN	-	40	-	-	40
ALLIED HEALTH	268	-	-	-	268
YEARBOOKS	-	837	837	-	-
KYA	115	10,762	10,715	-	162
CHOIR	1,394	885	1,273	-	1,006
PEP CLUB	10	-	99	89	-
BAND	-	1,783	1,172	-	611
ACADEMIC TEAM	450	-	90	-	360
CONCESSION	5,209	1,138	3,385	-	2,962
FACULTY VENDING	4,582	3,808	4,245	-	4,145
TAG	2,130	8,017	9,780	-	367
NATIONAL HONOR SOCIETY	153	-	-	-	153
NATIONAL HISPANIC HONOR S	319	150	462	-	7
FBLA	2,093	-	-	-	2,093
SCIENCE OLYMPIAD	2,177	3,568	2,325	-	3,420
CHEER/TRANSPORTATION	2,553	1,127	-	-	3,680
PROJECT PROM	500	-	-	-	500
YOUTH SERVICE CENTER	52	-	-	-	52
KYHED	840	-	-	-	840
LAPTOPS	2,250	2,000	-	-	4,250
Totals	\$ 49,211	\$ 136,314	\$ 131,856	\$ -	\$ 53,669

See the accompanying notes to the financial statements.

Floyd County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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
U.S. Department of Agriculture					
Passed Through State Department of Education					
School Breakfast Program	10.553				
Fiscal Year 18		7760005 18	\$ -	N/A	\$ 321,614
Fiscal Year 19		7760005 19	-	N/A	1,032,098
National School Lunch Program	10.555				
Fiscal Year 18		7750002 18	-	N/A	674,001
Fiscal Year 19		7750002 19	-	N/A	2,083,962
Summer Food Service	10.559				
Fiscal Year 18		7740023 18	-	N/A	28,714
Fiscal Year 19		7690024 18	-	N/A	3,000
Child Nutrition Cluster Subtotal					<u>4,143,389</u>
Fruit & Vegetable Program	10.582				
Fiscal Year 18		7720012 18	-	N/A	24,705
Fiscal Year 19		7720012 19	-	N/A	145,785
					<u>170,490</u>
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 19		510.4950	-	N/A	199,887
Total U.S. Department of Agriculture					<u>4,513,766</u>
US Department of Education					
Passed Through State Department of Education					
Title I Grants to Local Educational Agencies	84.010A				
Fiscal Year 17		3100002 17	-	3,213,388	123,386
Fiscal Year 18		3100002 18	-	3,114,907	304,135
Fiscal Year 19		3100002 19	-	3,086,007	2,208,076
					<u>2,635,597</u>
Special Education Grants to States	84.027A				
Fiscal Year 18		3810002 18	-	1,359,854	125,237
Fiscal Year 19		3810002 19	-	1,377,156	1,154,754
Special Education - Preschool Grants	84.173A				
Fiscal Year 18		3800002 18	-	67,006	170
Fiscal Year 19		3800002 19	-	69,148	69,148
Special Education Cluster Subtotal					<u>1,349,309</u>
Vocation Education - Basic Grants to States	84.048				
Fiscal Year 17		3710002 17	-	65,013	1,697
Fiscal Year 18		3710002 18	-	71,886	4,452
Fiscal Year 19		3710002 19	-	76,518	71,597
					<u>77,746</u>
Rural Education	84.358				
Fiscal Year 18		3140002 18	-	98,044	81,316
Striving Readers Comprehensive Literacy Grant	84.371C				
Fiscal Year 19		466E	-	580,000	350,244
Title IV Part A	84.424				
Fiscal Year 18		3420002 18	-	100,349	31,802
Fiscal Year 19		3420002 19	-	359,782	70,965
					<u>102,767</u>
Twenty-First Century Community Learning Centers	84.287				
Fiscal Year 17		3400002 17	-	70,000	11,820
Fiscal Year 18		3400002 18	-	61,000	52,585
					<u>64,405</u>
* Improving Teacher Quality	84.367A				
Fiscal Year 17		3230002 17	-	487,414	561
Fiscal Year 18		3230002 18	-	386,568	9,311
Fiscal Year 18D		3230002 18	-	70,000	3,787
Fiscal Year 19		3230002 19	-	363,680	249,420
					<u>263,079</u>
Passed Through Berea College					
* GEAR UP	84.334A				
Fiscal Year 18		P334A170041-17A	-	774,496	181,219
Fiscal Year 19		P334A170041-17A	-	825,326	784,574
					<u>965,793</u>
Passed Through Kentucky Valley Educational Cooperative					
Race to the Top - District	84.416A				
Fiscal Year 18		B416A140080	-	172,046	65,466
Fiscal Year 19		B416A140080	-	90,384	71,479
					<u>136,945</u>
Total U.S. Department of Education					<u>6,027,201</u>
National Endowment for the Humanities					
Passed Through Kentucky Arts Council					
Promotion of the Arts Partnership Agreements	45.025				
Fiscal Year 19		17-6100-2019	-	800	800
Total National Endowment for the Humanities					<u>800</u>
U.S. Department of Defense					
ROTC	12.000				
Fiscal Year 19		504E	-	N/A	32,543
Total U.S. Department of Defense					<u>32,543</u>
U.S. Department of Health and Human Services					
Passed through Big Sandy Area Community Action Program					
* Head Start	93.600				
Fiscal Year 18		04CH2596	-	1,399,774	317,057
Fiscal Year 19		04CH2596	-	1,437,168	958,166
Total U.S. Department of Health and Human Services					<u>1,275,223</u>
Total Expenditure of Federal Awards					\$ <u>11,849,533</u>

* Major program

FLOYD 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 Floyd 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 Floyd 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, 2018, the District received food commodities totaling \$199,887.

NOTE D – INDIRECT COST RATE

The Floyd 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 Floyd County School District
Prestonsburg, 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 Floyd 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 Floyd County School District's basic financial statements, and have issued our report thereon dated October 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Floyd 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 Floyd County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Floyd 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 Floyd 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 Floyd County School District in a separate letter dated October 27, 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

October 27, 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 Floyd County School District
Prestonsburg, KY
and the State Committee of School District Audits

Report on Compliance for Each Major Federal Program

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

Opinion on Each Major Federal Program

In our opinion, the Floyd 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 Floyd 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 Floyd 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 Floyd 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

October 27, 2019

FLOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 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 disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	None Reported
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	
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	Improving Teacher Quality [CFDA 84.367A] Gear Up [CFDA 84.334A] Head Start [CFDA 93.600]
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.

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

There were no prior year findings.



MANAGEMENT LETTER POINTS

Floyd County School District
Prestonsburg, Kentucky

In planning and performing our audit of the financial statements of the Floyd 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 October 27, 2019. This letter does not affect our report dated October 27, 2019, on the financial statements of the Floyd County School District. The conditions observed are as follows:

BETSY LAYNE HIGH SCHOOL

1-19

Statement of Condition: Instances of checks written not having two signatures.

Recommendation for Correction: The principal (or appointed designee) and school treasurer should ensure all checks written have two signatures; one of which shall be that of the principal (or appointed designee) and the other being the school treasurer.

Management Response to the Recommendation: The assistant principal and bookkeeper attended Redbook training on September 6th 2019. Both the principal and bookkeeper will be placed on a corrective action plan; there will be additional oversight from the central office finance staff.

PRESTONSBURG HIGH SCHOOL

No conditions.

FLOYD CENTRAL HIGH SCHOOL

No conditions.

DUFF-ALLEN CENTRAL ELEMENTARY

No conditions.

JAMES D ADAMS MIDDLE SCHOOL

No conditions.

ALLEN ELEMENTARY

No conditions.

SOUTH FLOYD ELEMENTARY

No conditions.

MAY VALLEY ELEMENTARY

2-19

Statement of Condition: Monies spent on staff and faculty (i.e. gifts, dinners etc.) paid out of the schools General Fund activity fund account or an account other than faculty/staff revenue generating activity fund account.

Recommendation for Correction: Ensure that monies generated by the staff/faculty are put into a separate activity account identified as being for the staff/faculty; this allows easy accountability of revenue and expenditure tracking. Only vending machine revenues located in an area that students do not have access to be authorized to be receipted into the faculty/staff activity fund account. Only monies in this account can be used for faculty/staff activities.

Management Response to the Recommendation: The principal and bookkeeper attended Redbook training on September 6th 2019. The issue was discussed with both the principal and bookkeeper and they are aware and fully understand the Redbook violation. Both the principal and bookkeeper will be placed on a corrective action plan; there will be additional oversight from the central office finance staff.

PRESTONSBURG ELEMENTARY

No conditions.

STUMBO ELEMENTARY

No conditions.

BETSY LANE ELEMENTARY

No conditions.

RENAISSANCE LEARNING CENTER

No conditions.

All prior year conditions have been corrected. Danny Adkins, 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, Tiffany Warrix Campbell and her 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
October 27, 2019