

**GARRARD 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 Garrard County School District
Lancaster, 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 Garrard 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 Garrard 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 Garrard County School District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019, on our consideration of the Garrard 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 Garrard 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 Garrard County School District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky
November 12, 2019

**GARRARD COUNTY SCHOOL DISTRICT - LANCASTER, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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

FINANCIAL HIGHLIGHTS

- The beginning balance for the General Fund was \$3,075,847; the ending fund balance was \$3,260,329. This represents a fund balance increase of \$184,482.
- The General Fund had \$22.2 million in operating revenues, which primarily consisted of funding from the State's Support Education Excellence in Kentucky (SEEK) program and revenues from taxes, which includes property taxes, motor vehicle taxes, and utility taxes.
- SEEK revenue for fiscal year 2019 was \$10.5 million compared to \$10.8 million in the prior year. This represents a decrease of \$300,000 in state funding.
- The District completed an energy savings project, which allows us to reduce the amount of energy consumed in each of the buildings. Items such as control systems, new lighting, improved efficiency of heating and air units, plumbing fixtures and other items were renovated for buildings in the District to aid in reducing costs for utilities.
- The district is participating in a Work Ready Skills Initiative Funding Agreement offered by the Kentucky Education and Workforce Development Cabinet. The intention of this agreement is to help support, promote and develop a highly trained workforce by providing resources to partnerships between employers and educational institutions that collaborate on projects in order to train and educate students to meet the workforce needs of Kentucky. Through this agreement, the District is in the process of renovating the Garrard Education Center by purchasing modern training equipment to provide training in the healthcare sector. This will result in full training capacity of 30 adults and 140 students annually.

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 are comprised of 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 private sector businesses.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflow of resources. 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.

**GARRARD COUNTY SCHOOL DISTRICT - LANCASTER, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Government-wide financial statements - Continued

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 can be found in the table of contents of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, 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 funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The District's major governmental funds are general, special revenue, debt service and construction. The non-major governmental funds are capital outlay, the Facilities Support Program of Kentucky (FSPK) and the district activity fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

Proprietary funds. Proprietary funds are used to account for food services and community education programs which are operated by the District like a business. The proprietary funds statements offer short- and long-term financial information about the activities of these funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the entity wide financial statements because the district cannot use these funds to finance its operations.

The district uses an agency fund to account for resources held for student activities and groups.

The fund financial statements can be found in the table of contents of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GARRARD COUNTY SCHOOL DISTRICT - LANCASTER, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve overtime as a useful indicator of a government's financial position.

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

Total net position for the period ended June 30, 2019:

Table 1

	Governmental Funds	Proprietary Funds	Total
Assets & Deferred Outflows:			
Current and Other Assets	4,475,226	808,829	5,284,055
Capital Assets	39,604,515	95,329	39,699,844
Deferred Outflows	3,639,438	84,574	3,724,012
Total Assets & Deferred Outflows:	47,719,179	988,732	48,707,911
Liabilities & Deferred Inflows:			
Current Liabilities	2,468,920	644	2,469,564
Noncurrent Liabilities	39,744,245	363,381	40,107,626
Deferred Inflows	1,960,309	52,642	2,012,951
Total Liabilities & Deferred Inflows:	44,173,474	416,667	44,590,141
Net Position			
Invested in Capital Assets			
Net of Debt	13,371,504	95,329	13,466,833
Restricted	947,172	476,736	1,423,908
Unrestricted Net Position	(10,772,971)		(10,772,971)
Total Net Position:	3,545,705	572,065	4,117,770

GASB 68 and 71 negatively impacted the District's net position in governmental funds by \$200,602. Proprietary fund net pension increased by approximately \$280,032.

**GARRARD COUNTY SCHOOL DISTRICT - LANCASTER, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

The following table presents a Net Position Comparison of Governmental Funds for the years ended June 30, 2019 and June 30, 2018:

Net Position Comparison Governmental Funds			
	2019	2018	Variance
Assets & Deferred Outflows:			
Current and Other Assets	4,475,226	7,771,923	(3,296,697)
Capital Assets	39,604,515	37,636,453	1,968,062
Deferred Outflows	3,639,438	4,359,961	(720,523)
Total Assets & Deferred Outflows:	47,719,179	49,768,337	(2,049,158)
Liabilities & Deferred Inflows:			
Current Liabilities	2,468,920	2,654,998	(186,078)
Noncurrent Liabilities	39,744,245	42,299,062	(2,554,817)
Deferred Inflows	1,960,309	1,067,970	892,339
Total Liabilities & Deferred Inflows:	44,173,474	46,022,030	(1,848,556)
Net Position			
Invested in Capital Assets			
Net of Debt	13,371,504	9,503,192	3,868,312
Restricted	947,172	3,982,894	(3,035,722)
Unrestricted Net Position	(10,772,971)	(9,739,779)	(1,033,192)
Total Net Position:	3,545,705	3,746,307	(200,602)

**GARRARD COUNTY SCHOOL DISTRICT - LANCASTER, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

The following table presents a Net Position Comparison of Proprietary Funds for the years ended June 30, 2019 and June 30, 2018:

Net Position Comparison Proprietary Funds			
	2019	2018	Variance
Assets & Deferred Outflows:			
Current and Other Assets	808,829	549,366	259,463
Capital Assets	95,329	36,626	58,703
Deferred Outflows	84,574	117,744	(33,170)
Total Assets & Deferred Outflows:	988,732	703,736	284,996
Liabilities & Deferred Inflows:			
Current Liabilities	644	1,026	(382)
Noncurrent Liabilities	363,381	373,298	(9,917)
Deferred Inflows	52,642	37,379	15,263
Total Liabilities & Deferred Inflows:	416,667	411,703	4,964
Net Position			
Invested in Capital Assets			
Net of Debt	95,329	36,626	58,703
Restricted	476,736	255,407	221,329
Unrestricted Net Position	-	-	-
Total Net Position:	572,065	292,033	280,032

The following table presents a summary of revenues for the year ended June 30, 2019:

	Total Governmental Funds	Total Proprietary Funds	Total
REVENUES			
Property Taxes	\$ 4,818,858		\$ 4,818,858
Motor Vehicle Taxes	759,865		759,865
Utility Taxes	740,223		740,223
Franchise Taxes	438,151		438,151
Earnings on Investments	33,036	3,714	36,750
Other Local Revenue	324,788	831	325,619
State Revenue	20,257,843	154,615	20,412,458
Federal Revenue	2,358,242	1,703,165	4,061,407
Loss on Retirement of Capital Asset		(801)	(801)
Lunchroom Sales		117,297	117,297
Community Services		7,940	7,940
Total Revenues	\$ 29,731,006	\$ 1,986,761	\$ 31,717,767

The following table presents a summary of expenditures for the year ended June 30, 2019:

**GARRARD COUNTY SCHOOL DISTRICT - LANCASTER, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

EXPENDITURES	Total Governmental Funds	Total Proprietary Funds	Total
Instruction	\$ 18,215,391		\$ 18,215,391
Student Support Services	686,625		686,625
Instructional Support Services	823,817		823,817
District Administrative Support	753,920		753,920
School Administration Support Services	1,847,936		1,847,936
Business Support Services	484,415		484,415
Plant Operation & Maintenance	2,076,011		2,076,011
Student Transportation	1,839,493		1,839,493
Food Service Operations		1,698,393	1,698,393
Community Services Operations	197,595	8,336	205,931
Debt Service	2,624,201		2,624,201
Building Acquisitions	49,800		49,800
Building improvements	2,703,905		2,703,905
Land improvements	420,556		420,556
Total Expenditures	<u>\$ 32,723,665</u>	<u>\$ 1,706,729</u>	<u>\$ 34,430,394</u>

Note: The summary of governmental funds is presented on a modified accrual basis and does not include adjustments for accrual reporting of pension expense, depreciation expense or amortization.

CAPITAL ASSETS

At the end of fiscal 2019, the District had \$39.7 million invested in capital assets, net of depreciation. This amount represents a net increase of \$2 million primarily due to construction in progress for our Work Ready grant.

Capital Assets (Net of Depreciation)

	2019	2018	Variance
Land	\$ 713,830	713,830	\$ -
Land Improvements	452,515	483,036	(30,521)
Buildings & Improvements	31,182,615	32,215,306	(1,032,691)
Technology Equipment	1,543	2,390	(847)
Vehicles	854,431	947,928	(93,497)
General Equipment	234,277	224,216	10,061
Construction In Progress	6,260,633	3,086,373	3,174,260
Total Capital Assets (Net of Dep.)	<u>\$ 39,699,844</u>	<u>\$ 37,673,079</u>	<u>\$ 2,026,765</u>

**GARRARD COUNTY SCHOOL DISTRICT - LANCASTER, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

DEBT

At the end of fiscal year 2019, the District had \$26.3 million of outstanding debt. This amount represents a net decrease of \$1.9 million.

Outstanding Debt at Year-End

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
General Obligation Bonds	\$ 26,076,755	\$ 27,930,284	\$ (1,853,529)
Capital Lease Obligations	156,256	202,977	(46,721)
KSBIT	39,552	59,329	(19,777)
Total Obligations	<u>\$ 26,272,563</u>	<u>\$ 28,192,590</u>	<u>\$ (1,920,027)</u>

COMMENTS ON BUDGET COMPARISONS

- Actual General Fund revenue exceeded the budget by \$1.8 million. The difference is primarily due to receiving \$1.7 million more in on-behalf revenue from the state than was budgeted.
- Actual General Fund expenditures exceeded the budget by \$1.3 million. Again, the difference is primarily due to on-behalf payments. On-behalf payments are payments made by the state on behalf of employees for various expenses, including health insurance, life insurance, administration fees, among other expenses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director at (859) 792-3018, Garrard County Board of Education, 322 W. Maple Avenue, Lancaster, KY 40444.

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

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,510,625	\$ 650,418	\$ 4,161,043
Receivables			
Taxes-current	139,844		139,844
Taxes-delinquent	20,542		20,542
Accounts	39,482	145,403	184,885
Intergovernmental	764,733		764,733
Inventories		13,008	13,008
Capital assets:			
Land and construction in progress	6,974,463		6,974,463
Other capital assets, net of depreciation	32,630,052	95,329	32,725,381
Total capital assets	39,604,515	95,329	39,699,844
Total assets	44,079,741	904,158	44,983,899
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,704,559	66,061	1,770,620
Deferred outflows related to OPEB	1,100,950	18,513	1,119,463
Deferred savings from refunding bonds	833,929		833,929
Total deferred outflows of resources	3,639,438	84,574	3,724,012
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	47,719,179	988,732	48,707,911
LIABILITIES			
Accounts payable and accrued expenses	74,678	644	75,322
Accrued interest payable	262,786		262,786
Unearned revenue	193,048		193,048
Long-term liabilities:			
Due within 1 year:			
Bond obligations	1,900,000		1,900,000
Capital lease obligations	18,632		18,632
KSBIT payable	19,776		19,776
Total due within 1 year	1,938,408	-	1,938,408
Due in more than 1 year:			
Bond obligations	24,176,755		24,176,755
Capital lease obligations	137,624		137,624
KSBIT payable	19,776		19,776
Net pension liability	7,259,960	281,360	7,541,320
Net OPEB liability	7,970,396	82,021	8,052,417
Sick leave	179,734		179,734
Total due in more than 1 year	39,744,245	363,381	40,107,626
Total liabilities	42,213,165	364,025	42,577,190
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	857,908	33,249	891,157
Deferred inflows related to OPEB	1,102,401	19,393	1,121,794
Total deferred inflows of resources	1,960,309	52,642	2,012,951
NET POSITION			
Net Investment in capital assets	13,371,504	95,329	13,466,833
Restricted for:			
Capital projects	814,844		814,844
Debt services	1,063		1,063
District activities	131,265		131,265
Adult education services		4,957	4,957
Food services		471,779	471,779
Unrestricted (deficit)	(10,772,971)		(10,772,971)
Total net position	3,545,705	572,065	4,117,770
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 47,719,179	\$ 988,732	\$ 48,707,911

See the accompanying notes to the financial statements.

Garrard 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	\$ 19,076,326	\$ 6,320	\$ 3,120,508	\$ -	\$ (15,949,498)		\$ (15,949,498)
Support Services							
Student	686,625	92,875	100,303		(493,447)		(493,447)
Instructional Staff	823,817		120,345		(703,472)		(703,472)
District Administration	753,921		110,134		(643,787)		(643,787)
School Administration	1,847,936		269,950		(1,577,986)		(1,577,986)
Business	484,415		70,764		(413,651)		(413,651)
Plant Operation & Maintenance	2,069,954	(288)	302,383	1,214,600	(553,259)		(553,259)
Student Transportation	1,705,681		249,169		(1,456,512)		(1,456,512)
Community Services Operations	197,595		28,865		(168,730)		(168,730)
Debt Service					-		-
Amortization	108,349				(108,349)		(108,349)
Depreciation*	1,345,780				(1,345,780)		(1,345,780)
Interest on general long-term debt	830,921			324,984	(505,937)		(505,937)
Total governmental activities	<u>29,931,320</u>	<u>98,907</u>	<u>4,372,421</u>	<u>1,539,584</u>	<u>(23,920,408)</u>		<u>(23,920,408)</u>
Business-type activities:							
Food service operations	1,693,537	117,297	1,857,780			\$ 281,540	281,540
Community operation	8,336	7,940				(396)	(396)
Depreciation	5,657					(5,657)	(5,657)
Total business-type activities	<u>1,707,530</u>	<u>125,237</u>	<u>1,857,780</u>	<u>-</u>	<u>-</u>	<u>275,487</u>	<u>275,487</u>
Total primary government	\$ <u>31,638,850</u>	\$ <u>224,144</u>	\$ <u>6,230,201</u>	\$ <u>1,539,584</u>	<u>(23,920,408)</u>	<u>275,487</u>	<u>(23,644,921)</u>
General revenues:							
Taxes:							
Property taxes					4,715,042		4,715,042
Delinquent taxes					103,816		103,816
Motor vehicle taxes					759,865		759,865
Utility taxes					740,223		740,223
Franchise taxes					438,151		438,151
State and formula grants					16,704,080		16,704,080
Unrestricted investment earnings					33,036	3,714	36,750
Other local					225,593	831	226,424
Total general revenues					<u>23,719,806</u>	<u>4,545</u>	<u>23,724,351</u>
Change in net position					(200,602)	280,032	79,430
Net position - beginning					3,746,307	292,033	4,038,340
Net position - ending					\$ <u>3,545,705</u>	\$ <u>572,065</u>	\$ <u>4,117,770</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.

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

	Governmental Funds					
	General	Special Revenue	Debt Service	Construction	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 2,561,087	\$ -	\$ 1,063	\$ 595,980	\$ 352,495	\$ 3,510,625
Interfund receivable	581,132					581,132
Receivables						
Taxes-current	139,845					139,845
Taxes-delinquent	20,542					20,542
Accounts	3,788	35,415			279	39,482
Intergovernmental-state		96,880				96,880
Intergovernmental-federal		667,853				667,853
Total assets	<u>3,306,394</u>	<u>800,148</u>	<u>1,063</u>	<u>595,980</u>	<u>352,774</u>	<u>5,056,359</u>
LIABILITIES						
Accounts payable	46,065	25,968		1,709	936	74,678
Interfund payable		581,132				581,132
Unearned revenue		193,048				193,048
Total liabilities	<u>46,065</u>	<u>800,148</u>	<u>-</u>	<u>1,709</u>	<u>936</u>	<u>848,858</u>
FUND BALANCE						
Restricted			1,063	594,271	220,573	815,907
Committed					131,265	131,265
Unassigned	3,260,329					3,260,329
Total fund balance	<u>3,260,329</u>	<u>-</u>	<u>1,063</u>	<u>594,271</u>	<u>351,838</u>	<u>4,207,501</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,306,394</u>	<u>\$ 800,148</u>	<u>\$ 1,063</u>	<u>\$ 595,980</u>	<u>\$ 352,774</u>	<u>\$ 5,056,359</u>

See the accompanying notes to the financial statements.

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

Fund balances-total governmental funds	\$	4,207,501
<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.		39,604,515
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		833,928
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		(262,786)
Bonds payable		(26,076,755)
KSBIT payable		(39,552)
Sick leave liability		(179,734)
Capital lease obligations		(156,256)
Net OPEB liability		(7,970,396)
Net pension liability		(7,259,960)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to pensions		1,704,559
Deferred outflows related to OPEB		1,100,950
Deferred inflows related to pensions		(857,908)
Deferred inflows related to OPEB		(1,102,401)
		(1,102,401)
Net position of governmental activities	\$	3,545,705

See the accompanying notes to the financial statements.

Garrard 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>Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From Local Sources						
Taxes						
Property	\$ 3,344,762	\$ -	\$ -	\$ -	\$ 1,370,280	\$ 4,715,042
Delinquent	103,816					103,816
Motor vehicle	759,865					759,865
Utilities	740,223					740,223
Franchise tax	438,151					438,151
Earnings on investments	24,177		471	5,929	2,459	33,036
Tuition	6,320					6,320
Student activities					92,875	92,875
Other local revenue	37,013	178,064			10,516	225,593
Intergovernmental - state	16,592,121	2,126,138	324,984		1,214,600	20,257,843
Intergovernmental - federal	111,959	2,246,283				2,358,242
Total revenues	<u>22,158,407</u>	<u>4,550,485</u>	<u>325,455</u>	<u>5,929</u>	<u>2,690,730</u>	<u>29,731,006</u>
EXPENDITURES						
Instruction	14,221,401	3,785,490			208,500	18,215,391
Support Services						
Student	656,606	30,019				686,625
Instructional Staff	428,176	384,396			11,245	823,817
District Administration	753,920					753,920
School Administration	1,729,745	118,191				1,847,936
Business	484,415					484,415
Plant Operation & Maintenance	2,076,011					2,076,011
Student Transportation	1,747,106	92,387				1,839,493
Community Services Operations	1,684	195,911				197,595
Debt Service			2,624,201			2,624,201
Building acquisitions				49,800		49,800
Building improvements				2,703,905		2,703,905
Land improvements				420,556		420,556
Total expenditures	<u>22,099,064</u>	<u>4,606,394</u>	<u>2,624,201</u>	<u>3,174,261</u>	<u>219,745</u>	<u>32,723,665</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	59,343	(55,909)	(2,298,746)	(3,168,332)	2,470,985	(2,992,659)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	405,041	55,909	2,299,217			2,760,167
Operating transfers (out)	(279,902)			(2,000)	(2,478,265)	(2,760,167)
Total other financing sources and (uses)	<u>125,139</u>	<u>55,909</u>	<u>2,299,217</u>	<u>(2,000)</u>	<u>(2,478,265)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	184,482	-	471	(3,170,332)	(7,280)	(2,992,659)
FUND BALANCE-BEGINNING	<u>3,075,847</u>	<u>-</u>	<u>592</u>	<u>3,764,603</u>	<u>359,118</u>	<u>7,200,160</u>
FUND BALANCE-ENDING	<u>\$ 3,260,329</u>	<u>\$ -</u>	<u>\$ 1,063</u>	<u>\$ 594,271</u>	<u>\$ 351,838</u>	<u>\$ 4,207,501</u>

See the accompanying notes to the financial statements.

Garrard 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	\$	(2,992,659)
<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		(707,305)
<p>Bond premium/discounts on the proceeds of bonds are shown as an expenditure/other financing use in the fund financial statements, but is shown as an increase/decrease of the bonds outstanding and amortized over the life of the bond on the government wide financial statements.</p>		
		8,528
<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		(82,686)
<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>		
		1,968,062
<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>		
		(108,349)
<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>		
		1,891,721
<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		(106,970)
KSBIT payable		19,777
Noncurrent sick leave payable		(90,721)
		(200,602)
Change in net position of governmental activities	\$	(200,602)

See the accompanying notes to the financial statements.

Garrard 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	\$ 3,325,000	\$ 3,325,000	\$ 3,344,762	\$ 19,762
Delinquent	118,000	118,000	103,816	(14,184)
Motor vehicle	685,000	685,000	759,865	74,865
Utilities	765,000	765,000	740,223	(24,777)
Franchise tax	400,000	400,000	438,151	38,151
Earnings on investments	25,000	25,000	24,177	(823)
Tuition	25,000	25,000	6,320	(18,680)
Other local revenue	16,500	16,500	37,013	20,513
Intergovernmental - state	14,796,720	14,896,931	16,592,121	1,695,190
Intergovernmental - federal	115,000	115,000	111,959	(3,041)
Total revenues	<u>20,271,220</u>	<u>20,371,431</u>	<u>22,158,407</u>	<u>1,786,976</u>
EXPENDITURES				
Instruction	12,357,413	12,551,858	14,221,401	(1,669,543)
Support Services				
Student	750,676	705,771	656,606	49,165
Instructional Staff	440,122	445,158	428,176	16,982
District Administration	1,116,748	874,019	753,920	120,099
School Administration	1,647,307	1,627,362	1,729,745	(102,383)
Business	493,754	464,811	484,415	(19,604)
Plant Operation & Maintenance	2,243,663	2,242,822	2,076,011	166,811
Student Transportation	1,786,923	1,900,431	1,747,106	153,325
Community Service Operations			1,684	(1,684)
Total expenditures	<u>20,836,606</u>	<u>20,812,232</u>	<u>22,099,064</u>	<u>(1,286,832)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(565,386)	(440,801)	59,343	500,144
OTHER FINANCING SOURCES (USES)				
Operating transfers in	230,500	227,850	405,041	177,191
Operating transfers out	(277,993)	(277,993)	(279,902)	(1,909)
Total other financing sources and (uses)	<u>(47,493)</u>	<u>(50,143)</u>	<u>125,139</u>	<u>175,282</u>
NET CHANGE IN FUND BALANCE	(612,879)	(490,944)	184,482	675,426
FUND BALANCE BEGINNING	<u>3,000,417</u>	<u>3,000,417</u>	<u>3,075,847</u>	<u>75,430</u>
FUND BALANCE-ENDING	<u>\$ 2,387,538</u>	<u>\$ 2,509,473</u>	<u>\$ 3,260,329</u>	<u>\$ 750,856</u>

See the accompanying notes to the financial statements.

Garrard 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				
Other local revenue	\$ 128,000	\$ 139,748	\$ 178,064	\$ 38,316
Intergovernmental - state	1,357,874	2,433,563	2,126,138	(307,425)
Intergovernmental - federal	1,838,477	2,158,984	2,246,283	87,299
Total revenues	<u>3,324,351</u>	<u>4,732,295</u>	<u>4,550,485</u>	<u>(181,810)</u>
EXPENDITURES				
Instruction	2,696,148	4,016,789	3,785,490	231,299
Support Services				
Student	13,089	37,289	30,019	7,270
Instructional Staff	337,316	372,577	384,396	(11,819)
School Administration	118,349	118,349	118,191	158
Student Transportation	47,199	47,199	92,387	(45,188)
Community Services Operations	164,250	192,092	195,911	(3,819)
Total expenditures	<u>3,376,351</u>	<u>4,784,295</u>	<u>4,606,394</u>	<u>177,901</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(52,000)	(52,000)	(55,909)	(3,909)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	52,000	52,000	55,909	3,909
Total other financing sources and (uses)	<u>52,000</u>	<u>52,000</u>	<u>55,909</u>	<u>3,909</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Garrard 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	\$ 644,826	\$ 5,592	\$ 650,418
Inventories	13,008		13,008
Accounts receivable	145,403		145,403
Capital assets:			
Other capital assets, net of depreciation	95,329		95,329
Total assets	898,566	5,592	904,158
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	65,934	127	66,061
Deferred outflows related to OPEB	18,478	35	18,513
Total deferred outflows of resources	84,412	162	84,574
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	982,978	5,754	988,732
LIABILITIES			
Accounts payable	644		644
Net pension liability	280,821	539	281,360
Net OPEB liability	81,864	157	82,021
Total liabilities	363,329	696	364,025
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	33,185	64	33,249
Deferred inflows related to OPEB	19,356	37	19,393
Total deferred inflows of resources	52,541	101	52,642
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	415,870	797	416,667
NET POSITION			
Net Investment in capital assets	95,329	-	95,329
Restricted	471,779	4,957	476,736
Total net position	567,108	4,957	572,065
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 982,978	\$ 5,754	\$ 988,732

See the accompanying notes to the financial statements.

Garrard 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	\$ 117,297	\$ -	\$ 117,297
Community services		7,940	7,940
Other local revenue	831		831
Total operating revenues	<u>118,128</u>	<u>7,940</u>	<u>126,068</u>
OPERATING EXPENSES			
Food service operations			
Salaries and benefits	653,724		653,724
Operational	1,039,012		1,039,012
Adult education operations			
Salaries and benefits		1,182	1,182
Operational		7,154	7,154
Depreciation	5,657		5,657
Total operating expenses	<u>1,698,393</u>	<u>8,336</u>	<u>1,706,729</u>
Operating income (loss)	<u>(1,580,265)</u>	<u>(396)</u>	<u>(1,580,661)</u>
NONOPERATING REVENUES (EXPENSES)			
Federal grants	1,703,165		1,703,165
State grants	154,615		154,615
Loss on retirement of capital assets	(801)		(801)
Earnings from investments	3,714		3,714
Total nonoperating revenues (expenses)	<u>1,860,693</u>	<u>-</u>	<u>1,860,693</u>
CHANGE IN NET POSITION	280,428	(396)	280,032
NET POSITION-BEGINNING	<u>286,680</u>	<u>5,353</u>	<u>292,033</u>
NET POSITION-ENDING	\$ <u><u>567,108</u></u>	\$ <u><u>4,957</u></u>	\$ <u><u>572,065</u></u>

See the accompanying notes to the financial statements.

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

	<u>Enterprise Funds</u>		
	<u>School Food Services</u>	<u>Other Proprietary Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 118,128	\$ 7,940	\$ 126,068
Payments to suppliers	(1,149,634)	(7,153)	(1,156,787)
Payments to employees	(653,724)	(1,182)	(654,906)
Net cash provided (used) by operating activities	<u>(1,685,230)</u>	<u>(395)</u>	<u>(1,685,625)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchase of capital assets	(65,161)		(65,161)
Net cash provided (used) by capital financing activities	<u>(65,161)</u>	<u>-</u>	<u>(65,161)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants and contributions	1,857,780	-	1,857,780
Net cash provided (used) by noncapital financing activities	<u>1,857,780</u>	<u>-</u>	<u>1,857,780</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	3,714	-	3,714
Net cash provided (used) by investing activities	<u>3,714</u>	<u>-</u>	<u>3,714</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	111,103	(395)	110,708
CASH AND CASH EQUIVALENTS-BEGINNING	<u>533,723</u>	<u>5,987</u>	<u>539,710</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 644,826</u>	<u>\$ 5,592</u>	<u>\$ 650,418</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,580,265)	\$ (396)	\$ (1,580,661)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	5,657	-	5,657
Changes in assets and liabilities:			
Receivables	(145,403)		(145,403)
Inventories	(3,352)		(3,352)
Deferrals	33,077	93	33,170
Net pension liability	3,558	(62)	3,496
Net OPEB liability	(13,363)	(50)	(13,413)
Deferrals	15,243	20	15,263
Accrued liabilities	(382)		(382)
Net cash provided provided (used) by operating activities	<u>\$ (1,685,230)</u>	<u>\$ (395)</u>	<u>\$ (1,685,625)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$92,204 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 \$140,450 for food services.

See the accompanying notes to the financial statements.

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

	<u>School Activity Funds</u>	<u>Private Purpose Trust</u>	<u>Fiduciary Fund Total</u>
ASSETS			
Cash and cash equivalents	\$ 311,715	\$ 77,125	\$ 388,840
TOTAL ASSETS	<u>311,715</u>	<u>77,125</u>	<u>388,840</u>
LIABILITIES			
Accounts payable	-		-
Due to student groups	311,715	-	311,715
TOTAL LIABILITIES	<u>311,715</u>	<u>-</u>	<u>311,715</u>
NET POSITION HELD IN TRUST			
Restricted for Permanent Fund	-	77,125	77,125
Total Net Position Held in Trust	<u>-</u>	<u>77,125</u>	<u>77,125</u>
TOTAL LIABILITIES AND NET POSITION HELD IN TRUST	\$ <u>311,715</u>	\$ <u>77,125</u>	\$ <u>388,840</u>

See the accompanying notes to the financial statements.

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

		<u>Private Purpose Trust</u>
Additions		
Earnings on investments	\$	432
Contributions/donations		<u>6,160</u>
		<u>6,592</u>
Deductions		
Scholarships awarded		<u>14,800</u>
Change in net position held in trust		(8,208)
Net position held in trust, beginning		<u>85,333</u>
Net position held in trust, ending	\$	<u><u>77,125</u></u>

See accompanying notes to the financial statements.

GARRARD 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 Garrard 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 Garrard 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 Garrard 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

Garrard County Board of Education Finance Corporation

The Board authorized establishment of the Garrard 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 Garrard County Board of Education.

Basis of Presentation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

(B) Special Revenue (Grant) Fund

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) 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. This is a major fund of the District.

(D) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Community Education

The Community Education Fund is used to account for the classes offered to the general public.

The District applies all GASB pronouncements to proprietary funds.

III. Fiduciary Fund Types

Agency Funds

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with "Accounting Procedures for Kentucky School Activity Funds," except for those accounted through the central office.

Private Purpose Trusts

Private Purpose Trust Funds are maintained within MUNIS and account for revenues generated by trusts set up to benefit a specific type of student who is entering college in Garrard County. The gifts (corpus) is to remain intact or can potentially be spent along with the earnings.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Cash and Cash Equivalents

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

Inventories

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

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 five 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgment, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension and OPEB contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, 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 is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were \$.675 per \$100 valuation of real property, \$.675 per \$100 valuation for business personal property and \$.551 per \$100 valuation for motor vehicles.

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

Operating and Non-Operating Revenues and Expenses

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

In-Kind

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

Contributions of Capital

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

Inter-fund Receivables/Payables

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

Interfund Transfers

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Pensions

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

Postemployment Benefits Other Than OPEBs (OPEB)

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

Bond and Related Premiums, Discounts, and Issuance Costs

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

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

Estimates

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

Budgetary Process

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The General Fund expenditures exceeded appropriations by \$1,286,832.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$4,549,883. The bank balance for the same time was \$5,305,523.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, special Revenue (Grant Fund), Debt Service Fund (Cash held with Fiscal Agents), 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	\$ 713,830	\$ -	\$ -	\$ 713,830
Land improvements	1,606,534	-	-	1,606,534
Buildings	47,714,615	-	-	47,714,615
Technology equipment	1,310,802	-	99,493	1,211,309
Vehicles	3,729,031	133,812	-	3,862,843
General equipment	858,010	6,058	2,880	861,188
Construction in progress	3,086,373	3,174,260	-	6,260,633
Total at historical cost	\$ <u>59,019,195</u>	\$ <u>3,314,130</u>	\$ <u>102,373</u>	\$ <u>62,230,952</u>
Less: Accumulated depreciation				
Land improvements	\$ 1,123,498	\$ 30,522	\$ -	\$ 1,154,019
Buildings	15,499,309	1,032,691	-	16,532,000
Technology equipment	1,309,213	46	99,493	1,209,765
Vehicles	2,781,103	227,308	-	3,008,411
General equipment	669,620	55,212	2,592	722,240
Total accumulated depreciation	\$ <u>21,382,743</u>	\$ <u>1,345,779</u>	\$ <u>102,085</u>	\$ <u>22,626,437</u>
<u>Governmental Activities</u>				
Capital Assets-net	\$ <u>37,636,452</u>	\$ <u>1,968,351</u>	\$ <u>288</u>	\$ <u>39,604,515</u>
<u>Business-Type Activities</u>	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
Buildings	\$ -	\$ -	\$ -	\$ -
Technology equipment	1,833	-	1,833	-
Vehicles	9,500	-	-	9,500
General equipment	409,956	65,161	14,557	460,559
Total at historical cost	\$ <u>421,289</u>	\$ <u>65,161</u>	\$ <u>16,390</u>	\$ <u>470,060</u>
Less: Accumulated depreciation				
Buildings	\$ -	\$ -	\$ -	\$ -
Technology equipment	1,032	-	1,032	-
Vehicles	9,500	-	-	9,500
General equipment	374,130	5,658	14,557	365,231
Total accumulated depreciation	\$ <u>384,662</u>	\$ <u>5,658</u>	\$ <u>15,589</u>	\$ <u>374,731</u>
<u>Business-Type Activities</u>				
Capital Assets-net	\$ <u>36,626</u>	\$ <u>59,503</u>	\$ <u>801</u>	\$ <u>95,329</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 Garrard 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:

Bond Issue	Original Amount	Maturity Date	Interest Rates	2018 Outstanding Balance	Additions	Retirements	2019 Outstanding Balance
2017R	\$ 3,470,000	2/1/2029	3%	\$ 3,420,000	\$ -	\$ 15,000	\$ 3,405,000
2005	880,000	11/1/2025	3.9-4.1%	430,000	-	50,000	380,000
2009	4,300,000	2/1/2029	3.4-4.1%	285,000	-	90,000	195,000
2010A	3,830,000	4/1/2021	1-3%	1,935,000	-	630,000	1,305,000
2015R	9,345,000	12/1/2027	2-2.5%	8,795,000	-	150,000	8,645,000
2016R	4,110,000	12/1/2027	1.3-2.5%	4,010,000	-	40,000	3,970,000
2017	2,230,000	8/1/1937	2-4%	2,230,000	-	80,000	2,150,000
2nd 2017R	2,650,000	12/1/2021	2-3.5%	2,650,000	-	775,000	1,875,000
2018	4,240,000	3/1/1938	2.25-3.5%	4,240,000	-	15,000	4,225,000
Totals				\$ 27,995,000	\$ -	\$ 1,845,000	\$ 26,150,000
Add:	Premium			127,374	-	25,230	102,144
Less:	Discount			(192,090)	-	(16,701)	(175,389)
Totals				\$ 27,930,284	\$ -	\$ 1,853,529	\$ 26,076,755

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30th	Principal		Interest		Principal Total	Interest Total
	Local	KSFCC	Local	KSFCC		
2020	1,659,147	240,853	726,438	89,135	1,900,000	815,574
2021	1,722,348	247,652	679,204	82,315	1,970,000	761,519
2022	1,808,128	166,872	501,253	70,171	1,975,000	571,424
2023	1,868,644	171,356	464,293	65,686	2,040,000	529,979
2024	1,913,942	176,058	426,373	60,984	2,090,000	487,356
2025-2029	10,400,506	754,494	240,158	234,032	11,155,000	474,191
2030-2034	1,976,611	548,389	577,943	139,585	2,525,000	717,528
2035-2038	2,015,884	479,116	182,408	37,117	2,495,000	219,525
	\$23,365,210	\$ 2,784,790	\$ 3,798,070	\$ 779,025	\$26,150,000	\$4,577,095

KSBIT

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

<u>KSBIT</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2018 KSBIT Outstanding</u>	<u>Additions</u>	<u>Retirements</u>	<u>2019 KSBIT Outstanding</u>
KSBIT	\$ 158,210	8/15/2029	2.0 - 4.0%	\$ 59,329	\$ -	\$ 19,777	\$ 39,552

The minimum payments are as follows:

<u>Fiscal Year Ended June 30th</u>	<u>Local Principal</u>	<u>Total Payments</u>
2020	19,776	19,776
2021	19,776	19,776
	\$ 39,552	\$ 39,552

Net Pension & OPEB Liability

The net pension liability is \$7,259,960 for governmental activities and \$281,360 for business-type activities for a total of \$7,541,320 as of June 30, 2019. (See Note G for additional information) The net OPEB liability is \$7,970,396 for governmental activities and \$82,021 for business-type activities for a total of \$8,052,417 as of June 30, 2019. (See Note I for additional information)

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:

	<u>2018 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2019 Outstanding Balance</u>
Sick Leave	\$ 89,013	\$ 90,721	\$ -	\$ 179,734
Totals	\$ 89,013	\$ 90,721	\$ -	\$ 179,734

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 27,930,284	\$ -	\$ 1,853,529	\$ 26,076,755	\$ 1,900,000
Capital Leases (See Note E below)	202,977	-	46,721	156,256	18,632
KSBIT	59,329	-	19,777	39,552	19,776
Net Pension Liability	7,637,161	-	95,841	7,541,320	-
Net OPEB Liability	8,681,014	-	628,597	8,052,417	-
Sick Leave	89,013	90,721	-	179,734	-
Totals	<u>\$44,599,778</u>	<u>\$ 90,721</u>	<u>\$2,644,465</u>	<u>\$ 42,046,034</u>	<u>\$ 1,938,408</u>

NOTE E – CAPITAL LEASE PAYABLE

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

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2018 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2019 Outstanding Balance</u>
2017	\$ 198,895	3/1/2027	2.55%	\$ 178,071	\$ -	\$ 21,815	\$ 156,256
2009	261,708	2/20/2019	2-3.9%	24,906	-	24,906	-
				<u>\$ 202,977</u>	<u>\$ -</u>	<u>\$ 46,721</u>	<u>\$ 156,256</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>Fiscal Year Ended 30-Jun</u>	<u>Principal Local</u>	<u>Interest Local</u>	<u>Total</u>
2020	\$ 18,632	\$ 3,985	\$ 22,617
2021	19,101	3,509	22,610
2022	19,571	3,022	22,593
2023	20,093	2,523	22,616
2024	20,615	2,011	22,626
2025-2027	58,244	2,911	61,155
	<u>\$ 156,256</u>	<u>\$ 17,961</u>	<u>\$ 174,217</u>

Total minimum lease payments	\$ 174,217
Less: Amount representing interest	<u>(17,961)</u>
Present Value of Net Minimum Lease Payments	\$ <u>156,256</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The assets acquired through the capital leases are as follows:

	Governmental
	<u>Activities</u>
Buses	\$ 446,482
Less: Accumulated Depreciation	<u>(299,381)</u>
Total	<u>\$ 147,101</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:

	Year Ending	
	<u>June 30,</u>	<u>Amount</u>
	2020	<u>48,511</u>
	Total	<u>\$ 48,511</u>

Expenditures for equipment under operating leases for the year ended June 30, 2019 totaled \$52,921.

NOTE G – RETIREMENT PLANS

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

Teachers Retirement System Kentucky (TRS)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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		42,892,108
	\$	42,892,108

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 0.4404%.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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>	

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 54,979,990	\$ 42,892,108	\$ 32,721,771

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

County Employees Retirement System

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

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

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

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2019, employers were required to contribute 21.48% of the member’s salary. During the year ending June 30, 2019, the District contributed \$434,020 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 0.227077%.

District's proportionate share of CERS net pension liability	\$	7,541,320
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>-</u>
	\$	<u><u>7,541,320</u></u>

For the year ended June 30, 2019, the District recognized pension expense of \$740,412. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 245,977	110,389
Changes of assumptions	737,006	-
Net difference between projected and actual earnings on pension plan investments	350,678	441,103
Changes in proportion and differences between District contributions and proportionate share of contributions	2,939	339,665
District contributions subsequent to the measurement date	<u>434,020</u>	<u>-</u>
	\$ <u><u>1,770,620</u></u>	\$ <u><u>891,157</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The \$434,020 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,
	<hr/>
2020	\$ 443,405
2021	172,733
2022	(130,219)
2023	(40,476)
	<hr/>
	\$ 445,443
	<hr/> <hr/>

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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>	

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 9,493,741	\$ 7,541,320	\$ 5,905,533

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.

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 Postemployments 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Retiree Medical Plan funded by the Medical Insurance Fund

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

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

Contributions - In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three point seventy-five percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible 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 \$5,854,000 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 .168716 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	\$ 5,854,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District	<u>5,045,000</u>
	<u>\$ 10,899,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 558,000
Changes of assumptions	150,000	-
Net difference between projected and actual earnings on pension plan investments	-	44,000
Changes in proportion and differences between District contributions and proportionate share of contributions	166,000	-
District contributions subsequent to the measurement date	<u>307,249</u>	<u>-</u>
	\$ <u>623,249</u>	\$ <u>602,000</u>

The \$307,249 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	\$ (61,000)
2021	(61,000)
2022	(61,000)
2023	(41,000)
2024	(45,000)
Thereafter	<u>(17,000)</u>
	\$ <u>(286,000)</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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 (with a setforward of 1 year for females and 2 years for males). The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

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: 100%; border: 0.5px solid black;"/> 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

- 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	\$ 12,781,000	\$ 10,899,000	\$ 9,331,000

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	\$ 9,037,000	\$ 10,899,000	\$ 13,195,000

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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>87,000</u>
	\$	<u><u>87,000</u></u>

For the year ended June 30, 2019, the District did not recognize OPEB expense in the current year.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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%
	<hr style="width: 50%; margin: 0 auto;"/> 100.0%	

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

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 4.00%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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	\$ 132,000	\$ 87,000	\$ 49,000

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

CERS – General Information about the OPEB Plans

Other Pension Benefit Programs-Employees’ Health Plan

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

At June 30, 2019, the District reported a liability of \$2,198,417 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 .12382100 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	\$ 2,198,417
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>-</u>
	<u>\$ 2,198,417</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$92,134. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	256,196
Changes of assumptions	439,057	5,079
Net difference between projected and actual earnings on pension plan investments	-	151,428
Changes in proportion and differences between District contributions and proportionate share of contributions	-	107,091
District contributions subsequent to the measurement date	<u>57,157</u>	<u>-</u>
	<u>\$ 496,214</u>	<u>\$ 519,794</u>

The \$57,157 (includes \$35,465 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

as a reduction of the collective net OPEB liability for the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

		Year Ended June 30,
		<u> </u>
2020	\$	(12,603)
2021		(12,603)
2022		(12,603)
2023		16,806
2024		(39,481)
Thereafter		<u>(20,253)</u>
	\$	<u><u>(80,737)</u></u>

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

*Changes of Benefit Terms-*None

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 2,855,392	\$ 2,198,417	\$ 1,638,795

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	\$ 1,636,743	\$ 2,198,417	\$ 2,860,469

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

NOTE J – PRIVATE PURPOSE TRUSTS

The District received gifts for scholarships which are being accounted for as Private Purpose Trusts. The gifts (corpus) can remain intact or can potentially be spent along with the earnings for scholarships for students who are going to college and have a financial need or are seeking a specific degree. The Corpus and Earnings are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Scholarships</u>		<u>Corpus</u>	<u>Balance FY 18</u>	<u>Earnings FY 19</u>	<u>Scholarships Awarded</u>	<u>Total</u>	<u>Purpose</u>
Pollard	Potentially Spend	\$ 5,977	\$ 1,989	\$ 5,017	\$ (4,500)	\$ 2,506	Financial Need
Leavell	Intact	30,000	34,772	188	(1,500)	33,460	Lancaster Elementary Library
Marksbury	Potentially Spend	-	126	1	-	127	
McMurtry	Intact	20,000	22,566	128	-	22,694	UK Agricultural Student
Wilson	Potentially Spend	1,000	17	-	-	17	Culinary or Human Services
Employees	Potentially Spend	1,529	425	1,124	-	1,549	Financial Need
GCHS	Potentially Spend	10,000	10,000	-	(10,000)	-	Graduating Seniors
Building	Potentially Spend	6,015	6,082	34	-	6,116	New High School
Rotary	Intact	10,849	10,856	100	(300)	10,656	Exemplifies values of Rotary
Total		\$ <u>85,370</u>	\$ <u>86,833</u>	\$ <u>6,592</u>	\$ <u>(16,300)</u>	\$ <u>77,125</u>	

NOTE K – COMMITMENTS

The District has committed \$131,265 of District Activity Funds as of June 30, 2019. In addition, the District has made commitments to approved construction projects in the amount of \$1,369,008.

NOTE L - CONTINGENCIES

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

NOTE M - LITIGATION

The District is subject to legal action in early stages of litigation, the outcome of which is not determinable at this time. They are currently being defended by the insurance carriers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE N – INSURANCE AND RELATED ACTIVITIES

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

NOTE O – RISK MANAGEMENT

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

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

NOTE P - COBRA

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

NOTE Q – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Debt Payments	General	Debt Service	Debt payments	\$ 119,793
Debt Payments	Building Fund	Debt Service	Debt payments	2,179,424
Operating	General	Special Revenue	KETS	53,909
Operating	Construction	Special Revenue	Operating	2,000
Operating	Building Fund	General Fund	Operating	177,191
Operating	Capital Outlay	General Fund	Operating	227,850
Operating	General	District Activity	Operating	\$ 106,200

NOTE R – DEFICIT FUND AND OPERATING BALANCES

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Fund</u>	<u>Change in Net Position</u>	
	<u>Net Change in Fund Balance</u>	
Governmental Activities	\$	(200,602)
Construction		(3,170,332)
District Activity		(10,154)
Other Proprietary Fund	\$	(396)

NOTE S – ON-BEHALF PAYMENTS

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

<u>Plan/Description</u>	<u>Amount</u>	
Kentucky Teachers Retirement System (GASB 68 & 75)	\$	3,369,862
Health Insurance		2,730,230
Life Insurance		4,459
Administrative Fee		36,796
HRA/Dental/Vision		168,450
Federal Reimbursement		(228,630)
Technology		82,578
KISTA Debt Service Payments		-
SFCC Debt Service Payments		<u>324,984</u>
Total	\$	<u><u>6,488,729</u></u>

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

NOTE T – RESTRICTED FUND BALANCES

The following funds had restricted fund balances.

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 594,271	Future Construction
Debt Service	1,063	Debt Service Payments
Food Service	471,779	Food Service Operations
Permanent	77,125	Fund Operations
Capital Outlay	11,791	SFCC Requirements
FSPK Fund	208,782	SFCC Requirements
Other Proprietary Fund	\$ 4,957	Adult Education Services

NOTE U – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 12, 2019 the date the audited financial statements were available to be issued.

GARRARD 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	0.12383%	0.13048%	0.136890%	0.13620%
District's proportionate share of the net pension liability	\$ 7,541,320	\$ 7,637,161	\$ 6,739,954	\$ 5,857,917
State's proportionate share of the net pension liability associated with the District	-	-	-	-
Total	<u>\$ 7,541,320</u>	<u>\$ 7,637,161</u>	<u>\$ 6,739,954</u>	<u>\$ 5,857,917</u>
District's covered-employee payroll	\$ 3,070,352	\$ 3,176,762	\$ 3,288,825	\$ 3,181,268
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.62%	240.41%	204.94%	184.14%
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	0.328%	0.323%	0.349%	0.347%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>42,892,108</u>	<u>87,025,826</u>	<u>102,881,036</u>	<u>80,755,161</u>
Total	<u>\$ 42,892,108</u>	<u>\$ 87,025,826</u>	<u>\$ 102,881,036</u>	<u>\$ 80,755,161</u>
District's covered-employee payroll	\$ 10,948,254	\$ 10,647,255	\$ 11,101,383	\$ 10,915,359
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.

GARRARD 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	\$ 434,020	\$ 561,200	\$ 594,722	\$ 559,456
Contributions in relation to the contractually required contributions	434,020	561,200	594,722	559,456
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 2,121,558	\$ 3,070,352	\$ 3,176,762	\$ 3,288,825
District's contributions as a percentage of it's covered-employee payroll	20.46%	18.28%	18.72%	17.01%
 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	\$ 11,230,665	\$ 10,948,254	\$ 10,647,255	\$ 10,101,383
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.

GARRARD 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%

GARRARD 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.

GARRARD 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)	0.16872%	0.16989%
District's proportionate share of the collective net OPEB liability (asset)	\$ 5,854,000	\$ 6,058,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>5,045,000</u>	<u>4,948,000</u>
Total	<u>\$ 10,899,000</u>	<u>\$ 11,006,000</u>
District's covered-employee payroll	\$ 10,948,254	\$ 10,647,255
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	53.47%	56.90%
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>87,000</u>	<u>66,000</u>
Total	<u>\$ 87,000</u>	<u>\$ 66,000</u>
District's covered-employee payroll	\$ 10,948,254	\$ 10,647,255
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.

GARRARD 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	\$ 307,249	\$ 299,210
Contributions in relation to the contractually required contribution	307,249	299,210
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 11,230,665	\$ 10,948,254
District's contributions as a percentage of it's covered-employee payroll	2.74%	2.73%
LIFE INSURANCE PLAN		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 11,230,665	\$ 10,948,254
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.

GARRARD 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)	0.12382%	0.13048%
District's proportionate share of the collective net OPEB liability (asset)	\$ 2,198,417	\$ 2,623,015
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>-</u>	<u>-</u>
Total	<u>\$ 2,198,417</u>	<u>\$ 2,623,015</u>
District's covered-employee payroll	\$ 3,070,352	\$ 3,176,762
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	71.60%	82.57%
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.

GARRARD 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	\$ 57,157	\$ 59,735
Contributions in relation to the contractually		
	57,157	59,735
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 2,121,558	\$ 3,070,352
District's contributions as a percentage of it's covered-employee payroll	2.69%	1.95%

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.

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

TRS

(1) CHANGES OF BENEFIT TERMS

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

(2) CHANGES OF ASSUMPTIONS

Medical Insurance Fund

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

Life Insurance Fund

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

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

Medical Insurance Fund

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

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

Life Insurance Fund

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

GARRARD COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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.

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

	Other Governmental Funds			
	Capital Outlay	FSPK Fund	District Activity	Total
Assets				
Cash and Cash Equivalents	\$ 11,791	\$ 208,782	\$ 131,922	\$ 352,495
Accounts Receivable, Accounts			279	279
Total Assets	11,791	208,782	132,201	352,774
Liabilities				
Accounts Payable			936	936
Total Liabilities	-	-	936	936
Fund Balance				
Restricted	11,791	208,782		220,573
Committed			131,265	131,265
Total Fund Balance	11,791	208,782	131,265	351,838
TOTAL LIABILITIES AND FUND BALANCE	\$ 11,791	\$ 208,782	\$ 132,201	\$ 352,774

See the accompanying notes to the financial statements.

Garrard 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	District Activity	Total
Revenues				
Property taxes	\$ -	\$ 1,370,280	\$ -	\$ 1,370,280
Earnings on Investments		2,459		2,459
Other local revenue			10,516	10,516
Student activities			92,875	92,875
Intergovernmental - State	227,850	986,750		1,214,600
Total Revenues	227,850	2,359,489	103,391	2,690,730
Expenditures				
Instruction			208,500	208,500
Support Services				
Instructional Staff			11,245	11,245
Total Expenditures	-	-	219,745	219,745
Excess (Deficit) of Revenues Over Expenditures	227,850	2,359,489	(116,354)	2,470,985
Other Financing Sources (Uses)				
Transfers In (Out)	(227,850)	(2,356,615)	106,200	(2,478,265)
Total Other Financing Sources (Uses)	(227,850)	(2,356,615)	106,200	(2,478,265)
Net Change in Fund Balances	-	2,874	(10,154)	(7,280)
Fund Balance Beginning	11,791	205,908	141,419	359,118
Fund Balance Ending	\$ 11,791	\$ 208,782	\$ 131,265	\$ 351,838

See the accompanying notes to the financial statements.

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

	<u>GARRARD CO HIGH SCHOOL</u>	<u>GARRARD CO MIDDLE SCHOOL</u>	<u>CAMP DICK ROBINSON ELEM</u>	<u>LANCASTER ELEMENTARY</u>	<u>PAINT LICK ELEMENTARY</u>	<u>PRIVATE PURPOSE TRUST</u>	<u>FIDUCIARY FUND TOTAL</u>
ASSETS							
Cash and cash equivalents	\$ 182,810	\$ 59,532	\$ 33,988	\$ 18,297	\$ 17,088	\$ 77,125	\$ 388,840
Total Assets	<u>182,810</u>	<u>59,532</u>	<u>33,988</u>	<u>18,297</u>	<u>17,088</u>	<u>77,125</u>	<u>388,840</u>
LIABILITIES							
Accounts payable	-	-	-	-	-	-	-
FUND BALANCE							
Trust Activities						77,125	77,125
School Activities	<u>182,810</u>	<u>59,532</u>	<u>33,988</u>	<u>18,297</u>	<u>17,088</u>	<u>77,125</u>	<u>311,715</u>
Total Fund Balance	<u>182,810</u>	<u>59,532</u>	<u>33,988</u>	<u>18,297</u>	<u>17,088</u>	<u>77,125</u>	<u>388,840</u>
Total Liabilities & Fund Balance	<u>\$ 182,810</u>	<u>\$ 59,532</u>	<u>\$ 33,988</u>	<u>\$ 18,297</u>	<u>\$ 17,088</u>	<u>\$ 77,125</u>	<u>\$ 388,840</u>

See the accompanying notes to the financial statements.

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

	<u>GARRARD COUNTY HIGH SCHOOL</u>	<u>GARRARD COUNTY MIDDLE SCHOOL</u>	<u>CAMP DICK ROBINSON ELEM</u>	<u>LANCASTER ELEMENTARY</u>	<u>PAINT LICK ELEMENTARY</u>	<u>PRIVATE PURPOSE TRUST</u>	<u>FIDUCIARY FUND TOTAL</u>
REVENUES							
Student revenues	\$ 357,234	\$ 124,142	\$ 75,511	\$ 40,694	\$ 46,156	\$ -	\$ 643,737
Trust revenues						6,592	6,592
Total Revenues	<u>357,234</u>	<u>124,142</u>	<u>75,511</u>	<u>40,694</u>	<u>46,156</u>	<u>6,592</u>	<u>650,329</u>
EXPENDITURES							
Student activities	310,157	102,661	69,171	38,131	44,883		565,003
Scholarships awarded						14,800	14,800
Total Expenditures	<u>310,157</u>	<u>102,661</u>	<u>69,171</u>	<u>38,131</u>	<u>44,883</u>	<u>14,800</u>	<u>579,803</u>
Excess (Deficit) of Revenues Over Expenditures	47,077	21,481	6,340	2,563	1,273	(8,208)	70,526
FUND BALANCE, BEGINNING	<u>135,733</u>	<u>38,051</u>	<u>27,648</u>	<u>15,734</u>	<u>15,815</u>	<u>85,333</u>	<u>318,314</u>
FUND BALANCE, ENDING	<u>\$ 182,810</u>	<u>\$ 59,532</u>	<u>\$ 33,988</u>	<u>\$ 18,297</u>	<u>\$ 17,088</u>	<u>\$ 77,125</u>	<u>\$ 388,840</u>

See the accompanying notes to the financial statements.

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

	<u>FUND BALANCE BEGINNING</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>TRANSFERS</u>	<u>FUND BALANCE ENDING</u>
OFFICE	\$ 55	\$ -	\$ -	\$ -	\$ 55
ADVERTISING	1,469	10,000	609	(8,806)	2,054
INSTRUCTIONAL	718	9,203	3,560	(496)	5,865
STUDENT PARKING	30	1,726	10	(500)	1,246
RESTITUTION AND REPAIRS	54	50	-	-	104
TRIPS AND TRANSPORTATION	66	-	-	-	66
GRADUATION	-	2,232	2,238	500	494
STUDENT FUNDS	540	1,135	132	-	1,543
TEACHER FUNDS	47	500	444	-	103
GUIDANCE	859	9,171	10,299	340	71
FMD	43	-	-	-	43
BETA/NHS CLUB	308	4,842	4,806	200	544
FBLA	1,143	5,431	5,929	100	745
FEA	291	-	-	-	291
FCA	806	-	-	-	806
FFA	1,891	10,378	10,558	(63)	1,648
FCCLA	366	10,923	11,478	463	274
SPANISH CLUB	125	185	141	-	169
SCIENCE CLUB	246	1,157	1,147	-	256
BIOMEDICAL	-	108	80	(22)	6
ART CLUB	90	90	141	-	39
JR HISTORY TRIP	36	-	-	-	36
NAT'L HONOR SOCIETY	25	490	24	(77)	414
YOUNG DEMOCRATS/REPUBLICANS	144	-	-	-	144
JUNIOR HISTORIAN	511	78	-	-	589
ENGINEERING CLUB	110	420	276	-	254
IYADA CLUB	120	-	-	-	120
JAG	-	165	-	-	165
GLAD CLUB	533	105	-	-	638
BOOK CLUB	27	410	345	-	92
FARM	4,437	2,156	-	-	6,593
DRAMA	2,982	9,748	7,482	-	5,248
CONTEMPORARY LITERATURE	637	-	-	-	637
YEARBOOK	7,034	5,208	7,313	-	4,929
AG DEPARTMENT	1	1,486	-	-	1,487
FLORAL DESIGN	201	-	-	-	201
GREENHOUSE	1,982	543	890	-	1,635
SHOP	905	3,545	1,577	-	2,873
BAND	655	5,208	5,812	1,383	1,434
STUDENT COUNCIL	2,591	116	327	-	2,380
Y-CLUB	-	1,770	1,810	40	-
LIBRARY	190	441	211	(88)	332
FOODS LAB	1,926	1,254	-	-	3,180
ADVANCED FOODS	2,737	1,783	2,842	-	1,678
FASHION	109	1,130	1,195	(20)	24
ART	159	225	230	-	154
GHOST OUT	1	841	1,489	650	3
PANCAKE BREAKFAST YSC	301	-	-	-	301
THE PRIDE	5,238	19,582	18,911	1,868	7,777
PROM	6,832	9,500	3,181	(300)	12,851
PROJECT GRADUATION	6,425	22,613	24,829	122	4,331
SENIOR TRIP	628	4,871	5,211	(264)	24
GCHS ATHLETIC DIRECTOR	2,406	3,071	2,898	3,546	6,125
GCHS TICKET REVENUE	20,257	37,175	36,755	(1,518)	19,159
DISTRICT TOURNAMENT	-	14,649	8,502	(6,146)	1
GCHS FOOTBALL	12,407	24,744	25,425	3,134	14,860
GCHS BOYS BASKETBALL	8,824	8,326	9,527	1,123	8,746
DISTRICT TOURNEY	5	-	-	-	5
GCHS GIRLS BASKETBALL	14,052	23,151	19,716	1,875	19,362
GCHS BASEBALL	8,951	22,583	20,257	(50)	11,227
GCHS SOFTBALL	698	14,397	11,066	700	4,729
GCHS BOYS SOCCER	499	2,524	1,615	200	1,608
GCHS GIRLS SOCCER	2,854	12,235	10,678	200	4,611
GCHS BOYS GOLF	1,266	-	704	100	662
GCHS GIRLS GOLF	503	-	288	100	315
GCHS CHEER	2,151	4,649	3,026	180	3,954
DANCE	209	-	(140)	-	349
GCHS BOYS TENNIS	259	-	111	100	248
GCHS GIRLS TENNIS	60	1,000	1,143	100	17
GCHS TRACK	497	2,418	2,277	(71)	567
GCHS VOLLEYBALL	703	1,441	961	200	1,383
CROSS COUNTRY	-	-	-	100	100
FISHING	353	12,216	9,623	100	3,046
BOWLING	-	3,761	4,177	416	-
ARCHERY	2,386	7,497	5,317	200	4,766
E SPORTS	-	578	704	150	24
DISTRICT ACTIVITY GENERAL	(16)	-	-	16	-
DISTRICT ACTIVITY LIBRARY	(215)	-	-	215	-
Totals	\$ 135,733	\$ 357,234	\$ 310,157	\$ -	\$ 182,810

See the accompanying notes to the financial statements.

Garrard 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	\$ -	\$ -	123,178
Fiscal Year 19		7760005 19	-	-	402,691
* National School Lunch Program	10.555				
Fiscal Year 18		7750002 18	-	-	217,296
Fiscal Year 19		7750002 19	-	-	672,427
* Summer Food Service	10.559				
Fiscal Year 18		7740023 18	-	-	15,967
Fiscal Year 19		7740023 19	-	-	2,603
Fiscal Year 18		7690024 18	-	-	1,659
Fiscal Year 19		7690024 19	-	-	269
Child Nutrition Cluster Subtotal					<u>1,436,090</u>
Child & Adult Care Food Program	10.558				
Fiscal Year 18		7790021 18	-	-	4,852
Fiscal Year 19		7790021 19	-	-	22,664
Fiscal Year 19		7800016 19	-	-	1,954
					<u>29,470</u>
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 19		510.4950	-	-	114,809
Total U.S. Department of Agriculture					<u>1,580,369</u>
U.S. Department of Education					
Passed Through State Department of Education					
Title I Grants to Local Educational Agencies	84.010A				
Fiscal Year 18		3100002 18	-	690,569	246,192
Fiscal Year 19		3100002 19	-	683,069	600,829
					<u>847,021</u>
Special Education Grants to States	84.027A				
Fiscal Year 18		3810002 18	-	522,153	17,972
Fiscal Year 19		3810002 19	-	532,708	505,588
Special Education - Preschool Grants	84.173A				
Fiscal Year 19		3800002 19	-	32,976	21,695
Special Education Cluster Subtotal					<u>545,255</u>
Striving Readers Literacy Grant	84.371C				
Fiscal Year 19		3710002 19	-	290,000	253,664
Vocation Education - Basic Grants to States	84.048				
Fiscal Year 19		3710002 19	-	23,022	2,095
Fiscal Year 19		3710002 19	-	20,927	20,912
					<u>23,007</u>
Rural Education	84.358B				
Fiscal Year 17		3140002 17	-	54,248	22,595
Fiscal Year 18		3140002 18	-	44,642	44,642
Fiscal Year 19		3140002 19	-	47,378	8,688
					<u>75,925</u>
Twenty-First Century Community Learning Centers	84.287				
Fiscal Year 15		3400002 15	-	1,000	420
Fiscal Year 16		3400002 16	-	67,500	4,349
Fiscal Year 17		3400002 17	-	61,000	61,000
					<u>65,769</u>
Title IV Part A	84.424				
Fiscal Year 18		3420002 18	-	17,397	17,397
Fiscal Year 19		3420002 19	-	49,316	35,902
					<u>53,299</u>
Improving Teacher Quality State Grants	84.367A				
Fiscal Year 17		3230002 17	-	35,644	224
Fiscal Year 18		3230002 18	-	233,076	158,279
Fiscal Year 19		3230002 19	-	115,379	104,851
					<u>263,354</u>
Passed Through Eastern Kentucky University					
Migrant Education	84.011				
Fiscal Year 17		3110002 17	-	54,869	7,741
Fiscal Year 18		3110002 18	-	55,348	3,408
Fiscal Year 19		3110002 19	-	55,000	31,337
					<u>42,486</u>
Passed Through Morehead State University					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A				
Fiscal Year 18G		379DG	-	204,368	19,844
Fiscal Year 19G		379EG	-	174,344	128,263
					<u>148,107</u>
Total U.S. Department of Education					<u>2,317,887</u>
U.S. Department of Health and Human Services					
Passed Through State Department of Education					
Improving Student Health & Academic Achievement	93.945				
Fiscal Year 19		482E	-	17,300	17,076
Total U.S. Department of Health and Human Services					<u>17,076</u>
Total Expenditure of Federal Awards					<u>\$ 3,915,332</u>

* Major program

See the accompanying notes to the schedule of expenditures of federal awards.

GARRARD COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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 Garrard 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 Garrard County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2019, the District received food commodities totaling \$114,809.

NOTE D – INDIRECT COST RATE

The Garrard 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 Garrard County School District
Lancaster, 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 Garrard 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 Garrard County School District's basic financial statements, and have issued our report thereon dated November 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Garrard 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 Garrard County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Garrard 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 Garrard 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 Garrard County School District in a separate letter dated November 12, 2019.

Purpose of this Report

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

White & Associates, PSC

Richmond, KY

November 12, 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 Garrard County School District
Lancaster, KY
and the State Committee of School District Audits

Report on Compliance for Each Major Federal Program

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

Opinion on Each Major Federal Program

In our opinion, the Garrard 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 Garrard 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 Garrard 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 Garrard County School District's internal control over compliance.

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

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

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

White & Associates, PSC

Richmond, KY

November 12, 2019

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

SUMMARY OF AUDITOR’S RESULTS

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

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

GARRARD 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

Garrard County School District
Lancaster, Kentucky

In planning and performing our audit of the financial statements of the Garrard County School District for the year ended June 30, 2019, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 12, 2019. This letter does not affect our report dated November 12, 2019, on the financial statements of the Garrard County School District. The conditions observed are as follows:

PAINT LICK ELEMENTARY

1-19

Statement of Condition: Instance of disallowed expenditures. (Check 3497 & 3508)

Recommendation for Correction: Ensure that expenditures paid from the General Fund are for the benefit of the student organization and not adult sponsors or district personnel.

Management Response to the Recommendation: In the future, we will ensure that expenditures paid from the General Fund are only for the benefit of the student organization and not for adult sponsors or district personnel.

LANCASTER ELEMENTARY

No conditions.

CAMP DICK ROBINSON ELEMENTARY

No conditions.

GARRARD COUNTY MIDDLE SCHOOL

No conditions.

GARRARD COUNTY HIGH SCHOOL

No conditions.

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

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

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

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
November 12, 2019