

GLASGOW INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS
For the Year Ended June 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Glasgow Independent School District
Glasgow, Kentucky 42141

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 Glasgow Independent School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Glasgow Independent 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. 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 Glasgow Independent School District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–8 and 51–52 and the pension and OPEB liability and contribution information on pages 53-60 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 Glasgow Independent 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 5, 2019, on our consideration of the Glasgow Independent 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 Glasgow Independent 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 Glasgow Independent School District's internal control over financial reporting and compliance.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants

Glasgow, Kentucky

November 5, 2019

**GLASGOW INDEPENDENT SCHOOLS, GLASGOW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

The management of Glasgow Independent Schools presents the financial overview and analysis of financial activities of this district for the fiscal year 2018-2019.

FINANCIAL HIGHLIGHTS

The beginning cash balances were \$2,154,507 in General Fund, \$73,327 in District Activity Fund, \$5,152,059 in Building Fund, and \$1,016,806 in Food Service Fund. Cash balances at the end of the year were \$2,202,597 in General Fund, \$81,749 in District Activity Fund, \$1,409,499 in Building Fund, \$3,460,572 in Construction Fund and \$1,200,375 in Food Service Fund.

The General Fund received \$15,643,588 in revenue. Of that \$6,206,093 was from local sources such as taxes and interest. \$9,315,916 was from state SEEK funds and \$66,331 was from other state funding. This does not include on-behalf payments of \$5,619,153 paid by the state. Other General Fund revenue of \$55,248 was Medicaid reimbursement.

Property tax revenue was \$5,169,413, an increase of \$23,039 from FY18. The School Board adopted the compensating tax rate for FY19. Delinquent property tax decreased slightly by \$5,076 from the prior year. Motor vehicle taxes also decreased by \$19,118 from FY18. Revenue in lieu of taxes increased by \$6,240. Preschool tuition increased to \$40,588 in FY19. SEEK funding decreased in FY19 by \$86,414 due to a slight decline enrollment. Interest on Investments increased by \$156,230 to a total of \$292,199 for FY19. Other general fund revenue was comparable to prior years.

Food Service revenue was \$1,832,663 in FY18 and was \$1,916,013 in FY19. This does not include on-behalf payments of \$245,207.

The Districts largest expense is salaries and employee benefits. Total employee costs for the general Fund was \$12,091,993 for FY19, not including on behalf payments of \$5,619,153. Total employee costs as a percentage of revenue received, excluding on behalf, was 77.30% for the General Fund. 76.15% for the Special Revenue Fund and 34.60% for the Food Service Fund. An impact on employee benefits is the employer Kentucky Retirement System (KRS) contribution. This match was 21.48% at the end of FY19 and is anticipated to increase by 12% each year. The cost for the FY19 KRS employer contribution was \$546,664.

\$200,951 was received in the Capital Outlay Fund. This was comparable to the prior year amount \$204,829 was received in the Capital Outlay Fund

Building Fund expenses of \$1,330,574 were for fund transfers to the debt service fund for bond principal and interest payments. Expenses of \$4,288,869 were transferred to the Construction Fund for the Softball Field, Security Vestibule & GHS Fieldhouse/Bleachers projects. The ending balance in the Building Fund was \$1,409,499.

Construction Fund expenses of \$1,394,217 were for the softball field project at GHS, the security vestibule projects at SGE and GMS, and the fieldhouse/bleacher project at GHS. The ending balance in the Construction Fund was \$3,360,338.

Debt service receipts totaled \$2,245,717, which includes on behalf payments made by the state. Debt service revenue includes fund transfers from the Capital Outlay Fund and the Building Fund. Expenses in the debt service fund, which totaled \$1,768,211 are for bond principal and interest payments.

Food Service expenses decreased slightly by \$28,127 to \$2,001,236. Of this amount, 47.36% was spent for salaries and 50.68% for food and supplies. The remaining 1.96% was used for miscellaneous items and equipment repair.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 9 - 10 of this report.

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

The governmental fund financial statements can be found on pages 11 - 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$10,446,359 as of June 30, 2019.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that 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 asset is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net position for the period ending June 30, 2019

This is the 4th year that the District is following GASB 34 and District assets, liabilities and net position. 2019 Government Wide net position compared to 2018 are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current Assets	\$ 11,815,082	\$ 10,989,326
Noncurrent Assets	<u>33,294,641</u>	<u>32,852,743</u>
Total Assets	<u>45,109,723</u>	<u>43,842,069</u>
Deferred outflows of resources	<u>2,279,589</u>	<u>2,751,156</u>
Current Liabilities	2,048,936	1,734,701
Noncurrent Liabilities	<u>33,635,702</u>	<u>35,293,918</u>
Total Liabilities	<u>35,684,638</u>	<u>37,028,619</u>
Deferred inflows of resources	<u>1,258,315</u>	<u>691,837</u>
Net Position		
Investment in capital assets (net of debt)	13,442,952	12,040,349
Restricted	7,693,958	7,590,253
Unrestricted Fund Balance	<u>(10,690,551)</u>	<u>(10,757,833)</u>
Total Net Position	<u>\$ 10,446,359</u>	<u>\$ 8,872,769</u>

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues:		
Local revenue sources	\$ 7,084,493	\$ 6,613,857
State revenue sources	15,333,191	15,527,398
Federal revenues	7,256,543	6,357,261
Investments	398,190	206,828
Other sources	164,096	104,523
	<u>\$ 30,236,513</u>	<u>\$ 28,809,867</u>
Expenses:		
Instruction	\$ 16,482,730	\$ 16,169,225
Student support services	1,182,691	1,263,051
Instructional support	1,156,097	632,251
District administration	972,377	1,089,996
School administration	1,427,018	1,394,625
Business support	558,670	476,403
Facilities and construction	411,210	27,290
Plant operations	1,708,804	1,867,670
Student transportation	744,698	654,609
Community support	230,731	193,084
Other	3,787,897	5,851,630
	<u>28,662,923</u>	<u>29,619,834</u>
Total expenses	<u>28,662,923</u>	<u>29,619,834</u>
Change in net position	<u>\$ 1,573,590</u>	<u>\$ (809,967)</u>

BUDGET COMPARISONS

The total budgeted revenues and beginning balances in all funds for fiscal year 2018-19 were \$30,003,819.

The percentage difference between budgeted and actual revenue for the General Fund was less than 1%. Differences varied on a line by line basis. General Fund budgeted revenue was \$15,782,000 while actual revenue, not including on behalf, was \$15,643,588. Notable differences in budgeted verses actual revenue follow. Seek actual revenue was 4% below budgeted revenue. Seek funding comprises 59.55% of General Fund revenue. Actual tax revenue was 1% above the budgeted revenue and comprises 35.47% of General Fund revenue. Earnings on investments increased to \$292,199 for FY19 from \$135,969 in FY18. Preschool tuition increased to \$46,208 in FY19 compared to \$10,205 in FY18.

\$890,000 was budgeted for General Fund contingency in FY18 and \$1,200,000 in FY19. School boards are required to budget a minimum of 2% in a contingency account. \$5,415,595 was budgeted in Building Fund contingency, and \$600,000 in Food Service contingency.

General Fund Revenue from state sources totaled 70.55% of total revenue; with local funding making up 29.19%. Instructional expenses including school administration account for 78.52% of expenditures; Central Office administration makes up 6.42%; Maintenance is 9.11%; and transportation is 7.5%.

LONG-TERM DEBT

Long-term debt payments and interest in the amount of \$1,768,211 were paid during the year for Highland Elementary and Glasgow High School bond issues. Highland Elementary debt will be paid in June of 2024. QZAB bonds for Glasgow High School totaling \$5,000,000 will be paid in full in 2026. The remaining bond and interest payments for Glasgow High School will continue until 2031. All payments are made from the Debt Service Fund.

NET POSITION

Current governmental assets in FY19 totaled \$43,770,041 and in FY18 totaled \$42,699,424. Current business assets, which are Food Service assets, totaled \$1,142,645 in FY18 and \$1,339,682 in FY19. All Food Service assets are equipment, inventory, and cash.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 to June 30; other programs including some federal programs operate on a different fiscal calendar year, but are reflected in the District overall budget. Legally, the budget must have a minimum 2% contingency. Glasgow Independent Board of Education adopted a Working Budget for 2018-19 totaling \$30,003,819 and included a 6.89% contingency. The Board did not vote for a 4% tax increase, but decided to adopt the compensating rate for 18-19 due to factors in the community.

A significant change that impacts the finances of our district includes an increase in the Kentucky Teacher Retirement (TRS) match and continued 12% increases in the Kentucky Retirement System (KRS) match. All Kentucky School districts began to pay a match of .25% for all employees paying into TRS on July 1, 2010. This match was .25% in FY11 and increased to 3% in FY16 where it has remained. The cost of this match in FY19 was \$330,774. Another impact on employee benefits is the employer KRS contribution. This match was 16.93% in FY11 and has increase to 21.48% for FY19. It is anticipated to increase by 12% each year. The cost for the FY19 CERS employer contribution was \$546,664.

Natural gas and electricity costs decreased slightly from the prior year after years of steady increases. The amount for FY16 was \$419,512, FY17 was \$457,852, FY18 was \$523,215 and FY19 was \$495,762. Property and Transportation Insurance costs have steadily increased over the past few years. The cost was \$158,491 in FY17, \$163,493 in FY18 and \$177,367 in FY19. Student liability insurance is an expense that our board has chosen to continue for the benefit of our students. The cost was unchanged in FY19 at \$58,450

Due to continuing growth in this district, Glasgow Preschool Academy opened in the fall of 2015 and all preschool classes are located in the former Happy Valley School building. All day preschool began in 2011 at both elementary schools. There were four teachers at each school. At Glasgow Preschool Academy there were 8 teachers and 12 assistants in FY16 and 9 teachers and 13 assistants began in FY17. Another teacher was added in FY18 for a total of 10 teachers and 13 assistants. This is a costly but much needed program and the Glasgow Board of Education is committed to providing this service for the community. Total district enrollment has increased and the board does attribute some of that increase to the preschool program.

The Alternative School for the district has been housed in a modular unit behind Glasgow Middle School. Space is now being prepared at the High School to accommodate the Alternative School.

Questions regarding this report may be directed to Mr. Keith Hale, Superintendent, at (270)651-6757, or by mail at P.O. Box 1239, Glasgow, KY 42142-1239.

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business Type Activities	Total
Assets:			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 9,551,223	\$ 1,200,375	\$ 10,751,598
Inventory	-	14,641	14,641
Accounts receivable			
Taxes - current	58,679	-	58,679
Intergovernmental - indirect federal	534,574	-	534,574
Interfund receivable	455,590	-	455,590
Total current assets	<u>10,600,066</u>	<u>1,215,016</u>	<u>11,815,082</u>
<u>Noncurrent Assets:</u>			
Capital assets	51,887,333	850,074	52,737,407
Less: accumulated depreciation	<u>(18,717,358)</u>	<u>(725,408)</u>	<u>(19,442,766)</u>
Total noncurrent assets	<u>33,169,975</u>	<u>124,666</u>	<u>33,294,641</u>
Total assets	<u>43,770,041</u>	<u>1,339,682</u>	<u>45,109,723</u>
<u>Deferred Outflows of Resources:</u>			
Deferred savings from revenue bonds, net	417,791	-	417,791
Outflows relating to net pension and OPEB liability	<u>1,614,632</u>	<u>247,166</u>	<u>1,861,798</u>
Total deferred outflows	<u>2,032,423</u>	<u>247,166</u>	<u>2,279,589</u>
Liabilities:			
<u>Current Liabilities:</u>			
Accounts payable	361,346	22,739	384,085
Interfund payable	452,824	2,766	455,590
Unearned grant revenue	51,772	-	51,772
Current portion of accrued sick leave	16,558	-	16,558
Current portion of bond obligations, net	1,044,384	-	1,044,384
Interest payable	96,547	-	96,547
Total current liabilities	<u>2,023,431</u>	<u>25,505</u>	<u>2,048,936</u>
<u>Noncurrent Liabilities:</u>			
Noncurrent portion of bond obligations, net	19,128,549	-	19,128,549
Noncurrent portion of net pension liability	5,108,984	1,022,369	6,131,353
Noncurrent portion of net OPEB liability	1,489,370	298,041	1,787,411
Noncurrent portion of KTRS net OPEB liability	5,738,000	-	5,738,000
Noncurrent portion of accrued sick leave	850,389	-	850,389
Total noncurrent liabilities	<u>32,315,292</u>	<u>1,320,410</u>	<u>33,635,702</u>
Total liabilities	<u>34,338,723</u>	<u>1,345,915</u>	<u>35,684,638</u>
<u>Deferred Inflows of Resources:</u>			
Inflows relating to net pension and OPEB liability	<u>1,117,369</u>	<u>140,946</u>	<u>1,258,315</u>
Net Position:			
Invested in capital assets, net of related debt	13,318,286	124,666	13,442,952
Restricted for:			
Capital projects	179,872	-	179,872
Construction	4,769,836	-	4,769,836
Debt service	2,396,806	-	2,396,806
District activity	81,749	-	81,749
Accrued sick leave	265,695	-	265,695
Unrestricted	<u>(10,665,872)</u>	<u>(24,679)</u>	<u>(10,690,551)</u>
Total net position	<u>\$ 10,346,372</u>	<u>\$ 99,987</u>	<u>\$ 10,446,359</u>

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the 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	Governmental Activities	Business - Type Activities	Total
Governmental Activities:							
Instruction	\$ 16,482,730	\$ -	\$ 5,282,009	\$ -	\$ (11,200,721)	\$ -	\$ (11,200,721)
Support Services							
Student	1,182,691	-	-	-	(1,182,691)	-	(1,182,691)
Instruction staff	1,156,097	-	-	-	(1,156,097)	-	(1,156,097)
District administrative	972,377	-	-	-	(972,377)	-	(972,377)
School administrative	1,427,018	-	-	-	(1,427,018)	-	(1,427,018)
Business	558,670	-	-	-	(558,670)	-	(558,670)
Plant operations and maintenance	1,708,804	-	-	-	(1,708,804)	-	(1,708,804)
Student transportation	744,698	-	-	-	(744,698)	-	(744,698)
Facilities acquisition and construction	411,210	-	-	-	(411,210)	-	(411,210)
Community service activities	230,731	-	-	-	(230,731)	-	(230,731)
Other	32,540	-	-	-	(32,540)	-	(32,540)
Interest on long-term debt	695,157	-	245,700	-	(449,457)	-	(449,457)
Depreciation (unallocated)	1,058,964	-	-	-	(1,058,964)	-	(1,058,964)
Total governmental activities	<u>26,661,687</u>	<u>-</u>	<u>5,527,709</u>	<u>-</u>	<u>(21,133,978)</u>	<u>-</u>	<u>(21,133,978)</u>
Business-Type Activities							
Food Service	<u>2,001,236</u>	<u>72,111</u>	<u>1,728,834</u>	<u>331,790</u>	<u>-</u>	<u>131,499</u>	<u>131,499</u>
Total business-type activities	<u>2,001,236</u>	<u>72,111</u>	<u>1,728,834</u>	<u>331,790</u>	<u>-</u>	<u>131,499</u>	<u>131,499</u>
Total primary government	<u>\$ 28,662,923</u>	<u>\$ 72,111</u>	<u>\$ 7,256,543</u>	<u>\$ 331,790</u>	<u>(21,133,978)</u>	<u>131,499</u>	<u>(21,002,479)</u>
General Revenues:							
Taxes:							
Property taxes					6,408,205	-	6,408,205
Motor vehicle taxes					380,145	-	380,145
Other					224,032	-	224,032
Investments earnings					369,705	28,485	398,190
State and formula grants					15,001,401	-	15,001,401
Miscellaneous					164,096	-	164,096
Total general revenues					<u>22,547,584</u>	<u>28,485</u>	<u>22,576,069</u>
Change in net position					1,413,606	159,984	1,573,590
Net position - beginning					8,932,766	(59,997)	8,872,769
Net position - ending					<u>\$ 10,346,372</u>	<u>\$ 99,987</u>	<u>\$ 10,446,359</u>

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2019**

	General Fund	Special Revenue	Building Fund	Construction fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets and resources:							
Cash and cash equivalents	\$ 2,202,597	\$ -	\$ 1,409,499	\$ 3,460,572	\$ 2,293,477	\$ 185,078	\$ 9,551,223
Accounts receivable:							
Taxes-current	58,679	-	-	-	-	-	58,679
Intergovernmental - indirect federal	-	534,574	-	-	-	-	534,574
Interfund receivable	455,590	-	-	-	-	-	455,590
Total assets and resources	<u>\$ 2,716,866</u>	<u>\$ 534,574</u>	<u>\$ 1,409,499</u>	<u>\$ 3,460,572</u>	<u>\$ 2,293,477</u>	<u>\$ 185,078</u>	<u>\$ 10,600,066</u>
Liabilities and fund balance:							
Liabilities:							
Accounts payable	\$ 231,133	\$ 29,978	\$ -	\$ 100,235	\$ -	\$ -	\$ 361,346
Interfund payable	-	452,824	-	-	-	-	452,824
Deferred revenues	-	51,772	-	-	-	-	51,772
Total liabilities	<u>231,133</u>	<u>534,574</u>	<u>-</u>	<u>100,235</u>	<u>-</u>	<u>-</u>	<u>865,942</u>
Fund balances:							
Restricted:							
Construction	-	-	1,409,499	3,360,337	-	-	4,769,836
Debt Service	-	-	-	-	2,293,477	103,329	2,396,806
District Activity	-	-	-	-	-	81,749	81,749
Committed:							
Accrued sick leave	265,695	-	-	-	-	-	265,695
Capital Projects	179,872	-	-	-	-	-	179,872
Unassigned	2,040,166	-	-	-	-	-	2,040,166
Total fund balances	<u>2,485,733</u>	<u>-</u>	<u>1,409,499</u>	<u>3,360,337</u>	<u>2,293,477</u>	<u>185,078</u>	<u>9,734,124</u>
Total liabilities and fund balances	<u>\$ 2,716,866</u>	<u>\$ 534,574</u>	<u>\$ 1,409,499</u>	<u>\$ 3,460,572</u>	<u>\$ 2,293,477</u>	<u>\$ 185,078</u>	<u>\$ 10,600,066</u>

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019**

Total fund balance per fund financial statements	\$ 9,734,124
Amounts reported for governmental activities in the statement of net position are different because:	
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.	33,169,975
Net pension and OPEB liabilities and deferred inflows of resources are not due and payable in the current period and therefore not recorded in the funds.	(13,453,723)
Deferred outflows of resources are not current financial resources and not reported in the funds.	1,614,632
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net position.	<u>(20,718,636)</u>
Net position for governmental activities	<u>\$ 10,346,372</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Special Revenue	Building Fund	Construction Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
From local sources:							
Taxes:							
Property	\$ 5,169,413	\$ -	\$ 773,106	\$ 465,686	\$ -	\$ -	\$ 6,408,205
Motor vehicle	380,145	-	-	-	-	-	380,145
Other	224,032	-	-	-	-	-	224,032
Tuition and fees	46,208	-	-	-	-	-	46,208
Earnings on investments	292,199	-	-	-	77,506	-	369,705
Other local revenues	94,095	-	-	-	-	23,793	117,888
Intergovernmental-state	15,001,401	1,170,178	902,826	-	591,937	200,951	17,867,293
Intergovernmental-indirect federal	-	2,360,869	-	-	-	-	2,360,869
Intergovernmental-direct federal	55,248	-	-	-	245,700	-	300,948
Total revenues	<u>21,262,741</u>	<u>3,531,047</u>	<u>1,675,932</u>	<u>465,686</u>	<u>915,143</u>	<u>224,744</u>	<u>28,075,293</u>
Expenditures:							
Instruction	13,431,184	2,686,892	-	-	-	-	16,118,076
Support services:							
Student	1,102,861	79,830	-	-	-	-	1,182,691
Instructional staff	662,348	493,749	-	-	-	-	1,156,097
District administration	972,377	-	-	-	-	-	972,377
School administration	1,427,018	-	-	-	-	-	1,427,018
Business	480,652	78,018	-	-	-	-	558,670
Plant operations and maintenance	1,708,804	-	-	-	-	-	1,708,804
Student transportation	736,853	7,845	-	-	-	-	744,698
Facilities acquisition and construction	502,855	-	-	1,394,218	-	-	1,897,073
Community service activities	-	230,731	-	-	-	-	230,731
Other	-	-	-	-	1,768,211	15,371	1,783,582
Total expenditures	<u>21,024,952</u>	<u>3,577,065</u>	<u>-</u>	<u>1,394,218</u>	<u>1,768,211</u>	<u>15,371</u>	<u>27,779,817</u>
Excess (deficit) of revenues over expenditures	<u>237,789</u>	<u>(46,018)</u>	<u>1,675,932</u>	<u>(928,532)</u>	<u>(853,068)</u>	<u>209,373</u>	<u>295,476</u>
Other financing sources (uses):							
Operating transfers in	-	46,018	200,951	4,288,869	1,330,574	-	5,866,412
Operating transfers out	(46,018)	-	(5,619,443)	-	-	(200,951)	(5,866,412)
Total other financing sources (uses)	<u>(46,018)</u>	<u>46,018</u>	<u>(5,418,492)</u>	<u>4,288,869</u>	<u>1,330,574</u>	<u>(200,951)</u>	<u>-</u>
Net Change in Fund Balance	191,771	-	(3,742,560)	3,360,337	477,506	8,422	295,476
Fund balance, July 1, 2018	<u>2,293,962</u>	<u>-</u>	<u>5,152,059</u>	<u>-</u>	<u>1,815,971</u>	<u>176,656</u>	<u>9,438,648</u>
Fund balance, June 30, 2019	<u>\$ 2,485,733</u>	<u>\$ -</u>	<u>\$ 1,409,499</u>	<u>\$ 3,360,337</u>	<u>\$ 2,293,477</u>	<u>\$ 185,078</u>	<u>\$ 9,734,124</u>

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

Net change in total fund balances per fund financial statements	\$ 295,476
Amounts reported for governmental activities in the statement of activities are different because:	
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 depreciation exceeds capital outlays expense for the year.	426,899
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.	1,008,760
Excess of pension expense reported over pension benefits paid in governmental activities.	(337,185)
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.	<u>19,656</u>
Change in net position of governmental activities	<u><u>\$ 1,413,606</u></u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019**

	Food Service Fund
Assets	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 1,200,375
Inventory	14,641
Total current assets	1,215,016
<u>Noncurrent</u>	
Capital assets	850,074
Less: accumulated depreciation	(725,408)
Total noncurrent assets	124,666
Total assets	1,339,682
 <u>Deferred Outflows of resources:</u>	
Outflows relating to net pension and OPEB liability	247,166
 Liabilities	
<u>Current Liabilities</u>	
Accounts payable	22,739
Interfund payable	2,766
Total current liabilities	25,505
 <u>Noncurrent Liabilities</u>	
Noncurrent portion of CERS net pension liability	1,022,369
Noncurrent portion of net OPEB liability	298,041
Total noncurrent liabilities	1,320,410
Total liabilities	1,345,915
 <u>Deferred Inflows of resources:</u>	
Inflows relating to net pension and OPEB liability	140,946
 Net Position	
Invested in capital assets net of related debt	124,666
Unrestricted	(24,679)
Total net position	\$ 99,987

See accompanying notes to basic financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Food Service Fund
Operating Revenues:	
Lunchroom sales	\$ 71,534
Other operating revenues	577
Total operating revenues	72,111
Operating Expenses:	
Salaries and wages	947,841
Material and supplies	1,014,313
Depreciation	31,017
Other operating expenses	8,065
Total operating expenses	2,001,236
Operating loss	(1,929,125)
Non-Operating Revenues (Expenses):	
Federal grants	1,714,386
Donated commodities	86,583
On behalf payments	245,207
State funding	14,448
Interest income	28,485
Total non-operating revenues	2,089,109
Change in net position	159,984
Net position, July 1, 2018	(59,997)
Net position, June 30, 2019	\$ 99,987

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019**

Cash Flows From Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 71,534
Other activities	577
Cash paid to/for:	
Employees	(630,439)
Supplies	<u>(969,405)</u>
Net cash provided (used) by operating activities	<u>(1,527,733)</u>
Cash Flows from NonCapital Financing Activities:	
Cash received for operating grants	1,728,834
Purchase of capital assets	<u>(46,017)</u>
Net cash provided (used) by financing activities	<u>1,682,817</u>
Cash Flows from Investing Activities:	
Receipt of interest income	<u>28,485</u>
Net cash provided (used) by investing activities	<u>28,485</u>
Net increase (decrease) in cash and cash equivalents	183,569
Balances, beginning of year	<u>1,016,806</u>
Balances, end of year	<u>\$ 1,200,375</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating loss	\$ (1,929,125)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	31,017
On-behalf revenues	245,207
Donated commodities used in operations	86,583
Change in assets and liabilities	
Inventory	1,531
Deferred outflow	92,776
Accounts payable	(2,269)
Interfund payable	(32,872)
Net Pension and OPEB liability	(49,186)
Deferred inflow	<u>28,605</u>
Net cash provided (used) by operating activities	<u>\$ (1,527,733)</u>
Schedule of non-cash transactions:	
On-Behalf payments	<u>\$ 245,207</u>
Donated commodities received from federal government	<u>\$ 86,583</u>

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 354,071
Accounts receivable	<u>3,672</u>
Total assets	<u>357,743</u>
Liabilities	
Accounts payable	11,485
Due to student groups	<u>346,258</u>
Total liabilities	<u>357,743</u>
Net Position Held in Trust	<u><u>\$ -</u></u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

1. Summary of Significant Accounting Policies:

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Glasgow Independent School District. 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 District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of these organizations.

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:

Glasgow Independent School District Finance Corporation - On May 12, 1992, the Glasgow Board of Education resolved to authorize the establishment of the Glasgow Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation:

District-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The District-wide statements are prepared using the economic resources measurement focus. This focus 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 District-wide statements and the statements for governmental funds.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

1. Summary of Significant Accounting Policies, Continued:

The District-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with 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. The District allocates certain indirect costs to be included in the program expenses reported for individual functions and activities in the District-Wide Statement of Activities.

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

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

The District has the following funds:

I. Governmental Fund Types:

- a. The General Fund is the primary operating fund of the District and is always classified as a major fund. 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. Reservations have been placed on the fund balance for accrued sick leave and other contingencies.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

1. Summary of Significant Accounting Policies, Continued:

- b. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds.

The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District. The Kentucky Department of Education has deemed this fund to always be classified as a major fund.

- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- d. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Funds (Enterprise Funds):

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

III. Fiduciary Fund Type (Agency and Private Purpose Trust 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 Uniform Program of Accounting for School Activity Funds.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

1. Summary of Significant Accounting Policies, Continued:

District-Wide Financial Statements:

Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations, or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements:

Under GASB Statement 54, fund balance is separated into five categories, as follows:

Nonspendable - Permanently nonspendable by decree of the donor, such as endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already purchased inventory on hand.

Restricted – Legally restricted under federal or state law, bond authority, or grantor contract.

Committed – Commitments passed by the Board.

Assigned – Funds assigned to management priority including issued encumbrances.

Unassigned – Funds available for future operations.

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

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.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

1. Summary of Significant Accounting Policies, Continued:

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

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

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

In order to present the Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available as assets, cash awards received in advance for the 2019-2020 school year have been classified as deferred revenues. Likewise, all awards requested as a result of 2018-2019 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursable expenditures are made or obligations are incurred, and of an equal amount.

Grants and entitlements received before the eligibility requirements are met are recognized as deferred 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 of 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 deferred 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 government funds.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

1. Summary of Significant Accounting Policies Continued:

Property Tax Revenues

Property taxes are levied each November 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 60 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were \$.852 per \$100 valuation for real property, \$.872 per \$100 valuation for business personal property and \$.554 per \$100 valuation for motor vehicles.

Date Event

January 1, year of levy	Assessment date
November 1, year of levy	Taxes levied
November 30, year of levy	2% discount allowed
December 31, year of levy	Gross amount due
January 1, following year	Delinquent date, 5% penalty added
February 1, following year	21% penalty added

Capital Assets

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

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

1. Summary of Significant Accounting Policies, Continued:

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

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

Interfund Balances

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

Compensated Absences

The District policies regarding sick leave permit employees to accumulate earned but unused 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 and has no maximum accumulation.

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 is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. The balance is estimated based on employees having twenty-seven years of service or more and eligible for retirement as of June 30, 2019. The current portion is the portion that is allocable to employees who have twenty-seven years of service or more.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the general fund. The noncurrent portion of the liability is not reported and no portion is allocated to the Proprietary Fund.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

1. Summary of Significant Accounting Policies, Continued:

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

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

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

Once the budget is approved, it can be amended.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

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

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Proprietary Fund. Inventory consists of donated and purchased foods held for resale and are expensed when used. Purchased food is valued at cost (first-in, first-out method) and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

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 an expenditure/expense is reported in the year in which services are consumed.

Investments

The private purpose trust funds record investments at their quoted market price. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Position. All realized gains and losses and changes in fair market value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

LASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

1. Summary of Significant Accounting Policies, Concluded:

Accrued Liabilities and Long-Term Obligations

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

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

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 and for child care services provided.

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.

Donated Commodities

The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position as an expense and as donated commodities revenue (non-operating revenue).

Pensions and OPEB

CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at www.kyret.ky.gov. KRS prepares its financial statements in accordance with GASB statements and generally accepted accounting principles. 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.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

2. Estimates:

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

3. Deferred Outflows/Inflows of Resources:

The District adopted GASB No. 63, and in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has amounts that qualify for reporting in this category in the amount of \$2,279,589.

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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has amounts that qualify for reporting in this category in the amount of \$1,258,315.

4. Cash and Cash Equivalents:

At year-end, the carrying amount of the District's cash and cash equivalents was \$11,105,669. All cash balances were covered by Federal Depository insurance, or collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in certificates of deposits with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2019 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Bank of New York	\$ 2,293,477	\$ 2,293,477
Citizens First Bank	10,989,078	8,812,192
	<u>\$ 13,282,555</u>	<u>\$ 11,105,669</u>

Breakdown per financial statements:

Governmental funds	\$ 9,551,223
Proprietary funds	1,200,375
Agency funds	354,071
	<u>\$ 11,105,669</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

4. Cash and Cash Equivalents, Continued:

All deposits are in financial institutions and brokerage accounts. The District's bank deposits are categorized below to give an indication of the custodial credit risk assumed by the District at June 30, 2019.

Category 1 – Insured by FDIC or collateralized with securities held by the District or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized with no writer or approved collateral agent.

	Category			Total Bank Balance	Carrying Amount
	One	Two	Three		
Deposits with Financial institutions	<u>\$ 3,533,960</u>	<u>\$ 9,748,595</u>	<u>\$ -</u>	<u>\$ 13,282,555</u>	<u>\$ 11,105,669</u>

In accordance with GASB No. 72, Fair Value Measurement and Application, the District provides the additional disclosure regarding the fair value of its investments. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Level 1

Quoted prices (unadjusted) in an active market for identical assets or liabilities that the District has the ability to access at the measurement date.

Level 2

Inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability.

Level 3

Unobservable inputs for the asset or liability used to measure fair value that rely on the District's own assumptions about the market participant's assumptions that may be used in pricing the asset or liability.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future values. Furthermore, while the District believes its valuation methods are appropriate and consistent with those of other market participants, different methodologies or assumptions used to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The District has the following values associated with bonds for debt service:

<u>Type</u>	<u>Level 1 Fair Values</u>
Government Securities	<u>\$2,293,477</u>
Total	<u>\$2,293,477</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

4. Cash and Cash Equivalents, Concluded:

Interest Rate Risk

The District invests in certificates of deposits with numerous financial institutions with maturities typically less than one year. No certificates of deposits are obtained from any financial institution in excess of FDIC limits.

Currently, there are no Certificates of Deposits held by the District.

Credit Risk

Credit Risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All investments held by the District are insured or collateralized with securities held by the District or the financial institution in the District's name. As a means of managing the District's exposure to fair value losses arising from increasing interest rates, the district primarily purchases investments with a maturity of less than three months. No investments in Money Market Accounts or Certificates of Deposit were in excess of federally insured limits.

Concentration of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

5. Capital Assets:

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

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

Governmental Activities	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets, not being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Land	152,781	-	-	152,781
Total Capital, not being Depreciated	<u>152,781</u>	<u>-</u>	<u>-</u>	<u>152,781</u>
Capital Assets, being Depreciated:				
Land Improvements	671,395	-	-	671,395
Buildings and Improvements	45,685,002	1,413,554	-	47,098,556
Technology Equipment	1,596,033	-	(1,817)	1,594,216
Vehicles	1,495,324	54,134	-	1,549,458
General Equipment	802,605	18,322	-	820,927
Total Capital Assets, being Depreciated	<u>50,250,359</u>	<u>1,486,010</u>	<u>(1,817)</u>	<u>51,734,552</u>
Less: Accumulated Depreciation				
Land Improvements	(655,179)	(1,232)	-	(656,411)
Buildings and Improvements	(13,403,990)	(887,915)	-	(14,291,905)
Vehicles	(1,116,529)	(92,256)	-	(1,208,785)
Technology Equipment	(1,742,376)	(63,927)	1,670	(1,804,633)
General Equipment	(741,990)	(13,634)	-	(755,624)
Total Accumulated Depreciation	<u>(17,660,064)</u>	<u>(1,058,964)</u>	<u>1,670</u>	<u>(18,717,358)</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 32,743,076</u>	<u>\$ 427,046</u>	<u>\$ (147)</u>	<u>\$ 33,169,975</u>
<u>Business-Type Activities</u>				
Capital Assets, being Depreciated:				
Food service and Equipment	\$ 789,143	\$ -	\$ -	\$ 789,143
Buildings	-	19,304	-	19,304
Vehicles	-	26,713	-	26,713
Technology Equipment	14,914	-	-	14,914
Total Capital Assets, being Depreciated	<u>804,057</u>	<u>46,017</u>	<u>-</u>	<u>850,074</u>
Less: Accumulated Depreciation				
Food Service and Equipment	(679,477)	(25,159)	-	(704,636)
Buildings	-	(515)	-	(515)
Vehicles	-	(5,343)	-	(5,343)
Technology Equipment	(14,914)	-	-	(14,914)
Total Accumulated Depreciation	<u>(694,391)</u>	<u>(31,017)</u>	<u>-</u>	<u>(725,408)</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 109,666</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 124,666</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

6. Bonded Debt and Lease Obligations:

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

Issue Date	Proceeds	Rates	Maturity Date
2011	\$ 15,410,000	4.00% - 4.125%	April 1, 2024
QZAB	\$ 5,000,000	5.25%	April 1, 2026
2012	\$ 3,835,000	0.65 - 2.25%	June 1, 2024
2017	\$ 9,715,000	1.20% - 3.00%	April 1, 2031

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

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

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

Year	Principal	Interest	Participation	District's Portion
2019-20	\$ 1,055,000	\$ 452,106	\$ 591,014	\$ 916,092
2020-21	1,085,000	421,356	589,212	917,144
2021-22	1,120,000	388,306	586,114	922,192
2022-23	1,155,000	353,706	587,914	920,792
2023-24	1,585,000	316,588	583,988	1,317,600
2024-25	1,200,000	261,300	149,425	1,311,875
2025-26	6,220,000	237,300	149,425	6,307,875
2026-27	1,260,000	200,700	149,425	1,311,275
2027-28	1,295,000	162,900	149,424	1,308,476
2028-29	1,335,000	124,050	149,425	1,309,625
2029-30	1,380,000	84,000	149,425	1,314,575
2030-31	1,420,000	42,600	149,425	1,313,175
	<u>\$ 20,110,000</u>	<u>\$ 3,044,912</u>	<u>\$ 3,984,216</u>	<u>\$ 19,170,696</u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019**

6 Bonded Debt and Lease Obligations, Concluded:

Long-term debt activities for the year ended June 30, 2019, are as follows:

	Balance June 30, 2018	Additions	Debt Payments and Reductions	Balance June 30, 2019	Amount Due within one year
Series 2011	\$ 4,000,000	\$ -	\$ 540,000	\$ 3,460,000	\$ 565,000
QZAB	5,000,000	-	-	5,000,000	-
Series 2012	2,455,000	-	395,000	2,060,000	400,000
Series 2017	9,680,000	-	90,000	9,590,000	90,000
	<u>21,135,000</u>	<u>-</u>	<u>1,025,000</u>	<u>20,110,000</u>	<u>1,055,000</u>
Bond Premiums/ discounts	46,693	-	16,240	62,933	(10,616)
Total bonds, net with premium	<u>\$ 21,181,693</u>	<u>\$ -</u>	<u>\$ 1,008,760</u>	<u>\$ 20,172,933</u>	<u>\$ 1,044,384</u>

In April 2011, the Board approved the issuance of revenue bonds in the amount of \$15,410,000 and Qualified Zone Academy Bonds (QZAB) in the amount of \$5,000,000. These funds were used for construction and renovation of Glasgow High School. The bond series for 2011 has a maturity date of April 1, 2024 and QZAB bonds mature on April 1, 2026.

In March 2012, the Board approved the refinance of 2004 revenue bonds in the amount of \$3,835,000. The refinanced 2012 revenue bonds have a final maturity on June 1, 2024.

In October 2017, the Board approved the refinance of 2017 revenue bonds in the amount of \$9,715,000. The bonds were used to call the remainder of the outstanding 2011 series bonds. The reissuance produced a savings of \$525,243 to be amortized over the life of the new bonds. The refinanced 2011 revenue bonds have a final maturity on April 1, 2031.

For the year ended June 30, 2019, the District paid \$16,800 in interest due to federal sequester.

7. Commitments Under Noncapitalized Leases:

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

Year ending June 30:	
2020	\$ 49,799
2021	38,503
2022	24,420
2023	2,633
2024	-
Thereafter	<u>-</u>
Total Minimum Rentals	<u>\$ 115,355</u>

Rent expense for the year ended June 30, 2019 was \$0.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019**

8. Accumulated Unpaid Sick Leave Benefits:

Accrued sick leave is payable upon retirement at 30% of the value of the accumulated sick leave. In accordance with GAAP, the District has recorded approximately \$866,000 in accrued sick leave liability in the District-Wide Statement of Net Position. Of the \$866,000, \$265,695 is associated with employees that have met the retirement eligibility and is reflected in the District-Wide Statement of Net position as the current portion. Additionally, the Governmental Fund Balance sheet reflects the current portion of accrued sick leave \$16,558. This amount is anticipated to be funded with current year's economic financial resources and is the District's amount associated with employees that have notified the District of retirement within the next year.

9. Retirement Plans:

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

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

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

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
 June 30, 2019**

9. Retirement Plans, Continued:

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final pay to 75% of the member's average pay.

If the member does not have a surviving spouse, benefits paid to surviving children have been increased from 1% of the member's final pay rate to 50% of the average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. Five years' service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

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

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

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

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

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

9. Retirement Plans, Continued:

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to 2.0% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the plan for fiscal years ending June 30, 2019 and 2018. This applies to employees hired prior to July 1, 2008 and those hired afterwards. The District's contractually required contribution rate for the year ended June 30, 2019 and 2018 for KTRS was 16.105% for employees hired prior to July 1, 2008 and those hired afterwards.

The CERS nonhazardous contribution rate for the employer was 16.22% of annual compensation and 14.48% for the years ended June 30, 2019 and 2018, respectively. Employees hired before July 1, 2008 are required to contribute 5% of their salary and employees hired after that date are required to contribute 6%.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school districts and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries for fiscal years ending June 30, 2019 and 2018. 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.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

9. Retirement Plans, Continued:

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

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

Districts proportionate share of CERS net pension liability	\$ 6,131,353
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>41,681,030</u>
	<u>\$47,812,383</u>

The total pension liability, net pension liability and sensitivity information was based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end using generally accepted actuarial principles.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District's proportion was 0.100674%.

For the year ended June 30, 2019, the District recognized pension expense of \$1,007,697 related to CERS and \$5,782,473 related to KTRS. The District also recognized revenue of \$3,020,112 for KTRS support provided by the Commonwealth. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience in the measurement of the TPL	\$ 199,988	\$ 89,750
Changes in assumptions	98,491	-
Net difference between projected and actual investment earnings on pension plan investments	285,112	358,631
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,266	35,733
Contributions to pension plan after measurement date	<u>409,998</u>	<u>-</u>
Total	<u>\$ 1,018,855</u>	<u>\$ 484,114</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

9. Retirement Plans, Continued:

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

	<u>Net Deferred</u> <u>Outflows/(Inflows)</u>
2020	\$ 235,510
2021	(77,860)
2022	(32,908)
2023	-
2024	-
Total	<u>\$ 124,742</u>

Actuarial assumptions—The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS		KTRS	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Inflation	3.25%	3.25%	3.00%	3.50%
Projected Salary Increases	4.00%	4.00%	3.5-7.3%	4-8.2%
Investment rate of return, net of investment expense and inflation	7.50%	7.50%	7.50%	7.50%

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

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 with a set forward two years for males and one year for females. For disabled members the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

Long-term rate of return - For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019**

9. Retirement Plans, Continued:

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Assumed Asset Allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>CERS</u>		<u>KTRS</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Equity	17.5%	4.83%	40.0%	4.20%
International Equity	17.5%	5.58%	22.0%	5.20%
Global Bonds	4.0%	3.00%	0.0%	0.00%
Credit Fixed	24.0%	7.92%	0.0%	0.00%
Real Estate	5.0%	9.00%	6.0%	3.80%
Absolute Return	10.0%	5.00%	0.0%	0.00%
Real Return	10.0%	7.00%	0.0%	0.00%
Private Equity	10.0%	6.50%	7.0%	6.30%
Cash	2.0%	1.50%	2.0%	0.90%
Fixed Income	0.0%	0.00%	15.0%	1.20%
Additional Categories	<u>0.0%</u>	0.00%	<u>8.0%</u>	3.30%
	100.00%		100.00%	

Discount rate: For CERS, the discount rate used to measure the total pension liability was 6.25% for the years ended June 30, 2019 and 2018, respectively.

For KTRS, the discount rate used to measure the total pension liability was 7.50%.

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

For KTRS, the 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 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 to determine the total pension liability.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019**

9. Retirement Plans, Concluded:

Periods of projected benefit payments – For both CERS and KTRS, projected future benefit payments for all current plan members were projected through all periods to determine the total pension liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	7,718,739	6,131,353	4,801,402

A one percent decrease and a one percent increase for the KTRS proportionate share of the net pension liability is not shown because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District.

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

The District's total payroll for the year was \$13,570,748. The payroll for employees covered under KTRS was \$11,025,805 and for CERS was \$2,544,943. For the year ended June 30, 2019, the federal matching contributed \$163,251 to KTRS for the benefit of our participating employees.

The contribution requirement for CERS for the year ended June 30, 2019, was \$536,213 which consisted of \$409,998 from the District and \$126,215 from employees.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans. Total employee contributions to the 403(B) plan for the year was \$74,305.

10. Other Post-Employment Benefits (OPEB):

General information about the County Employees Retirement System (CERS) OPEB plan:

Kentucky Retirement Systems provides participants their proportionate share of the OPEB unfunded liability calculated by Gabriel, Roeder, Smith & Co (GRS) to be used in financial reports. KRS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at www.kyret.ky.gov.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

10. Other Post-Employment Benefits (OPEB), Continued:

General information about the Kentucky Teachers Retirement System (KTRS) OPEB plans:

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

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

Medical Insurance Plan - CERS

Plan Description: The Kentucky Retirement Systems' Insurance Fund is a cost sharing multiple-employer defined benefit Other Post-Employment Benefit plan for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state departments, board, agency, county, District, school board, and any additional eligible local agencies electing to participate.

Benefits Provided: The plan was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS and SPRS. OPEB may be extended to beneficiaries of plan members under certain circumstances. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the Total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updates the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The Total OPEB liability as of June 30, 2018 is determined using these updated benefit provisions.

Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. See chart for current values for Dollar Contribution. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. The amount of contribution paid by the Insurance Fund is based on years of service.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019**

10. Other Post-Employment Benefits (OPEB), Continued:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows.

<u>Dollar Contribution for Fiscal Year 2018</u>		<u>Portion Paid by Insurance Fund</u>	
For Member participation date on or after July 1, 2003			
<u>System</u>	(in whole dollars)	<u>Years of service</u>	<u>% Paid by Insurance Fund</u>
KERS Non-hazardous	\$ 13.38	20+ years	100.00%
KERS Hazardous	\$ 20.07	15-19 years	75.00%
CERS Non-hazardous	\$ 13.38	10-14 years	50.00%
CERS Hazardous	\$ 20.07	4-9 years	25.00%
SPRS	\$ 20.07	Less than 4 years	0.00%

Medical Insurance Plan – CERS, Concluded

Future contributions are projected in accordance 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 (25 years as of June 30, 2018) and the actuarial assumptions and methods adopted by the Board of Trustees. The fully insured premiums KRS pays for the CERS health insurance plans 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 it to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system.

However, the cost associated with the implicit subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The distributions from the retiree health insurance trust pay the employers’ portion of the blended premiums, not the employers’ portion of the underlying retiree claims costs. As a result, the benefit payments and contribution amounts need to include an adjustment related to the implicit subsidy. Participating employers adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes.

Medical Insurance Plan - KTRS

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

Benefits provided - To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. KTRS 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 KTRS Board of Trustees.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019**

10. Other Post-Employment Benefits (OPEB), Continued:

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 KTRS Medicare Eligible Health Plan.

Contributions—The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is .75% of member salaries. Also, employers (other than the state) contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010 in the non-Medicare eligible group. If a member leaves covered employment before accumulating five years credited service, accumulated member contributions to the retirement annuity plan plus interest are refunded upon the member's request.

Life Insurance Plan - KTRS

Plan description – KTRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The KTRS 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 KTRS Board of Trustees and the General Assembly.

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

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

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

At June 30, 2019, the District reported a liability of \$1,787,411 for CERS, \$5,738,000 for KTRS Medical Insurance Plan and \$0 for KTRS Life Insurance Plan for its proportionate share of the net OPEB liability. The District did not report a liability for its proportionate share of the collective net OPEB liability for the Life Insurance Plan because the Commonwealth provides OPEB support directly to KTRS on behalf of the District. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial value as of June 30, 2017. At June 30, 2018, the District's proportionate share was .100674% for CERS, .165372% for KTRS Medical Insurance plan and 0% for KTRS Life Insurance Plan.

The amount recognized by the District as its proportionate share of the net OPEB liability for CERS and KTRS, 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 CERS net OPEB liability	\$	1,787,411
District's proportionate share of KTRS net OPEB liability		5,738,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		5,030,000
	\$	12,555,411

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

10. Other Post-Employment Benefits (OPEB), Continued:

As a result of its requirement to contribute to the Plan, the District recognized OPEB expense of \$121,585 for CERS. For KTRS Medical Insurance Plan the District recognized OPEB expense of \$74,731 and revenue of \$2,884,938 for support provided by the state at June 30, 2019. For KTRS Life Insurance Plan, the District recognized OPEB expense of \$3,705 and revenue of \$3,705 for support provided by the State. At June 30, 2019, the District reported deferred inflows and deferred outflows of resources related to the net OPEB liability from the following sources:

	CERS		KTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the net OPEB liability	\$ -	\$ 208,299	\$ -	\$ 213,229
Changes in assumptions	355,619	4,130	78,954	-
Net difference between projected and actual investment earnings on pension plan investments	-	123,118	-	23,095
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	25,624	-	176,706
Contributions to pension plan after measurement date	<u>107,831</u>	<u>-</u>	<u>300,539</u>	<u>-</u>
Total	<u>\$ 463,450</u>	<u>\$ 361,171</u>	<u>\$ 379,493</u>	<u>\$ 413,030</u>

The deferred outflows resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in expense as follows

	Net Deferred Outflows/(Inflows)	
	CERS	KTRS
2020	\$ 1,354	\$ (80,565)
2021	1,354	(80,565)
2022	25,265	(70,360)
2023	(20,526)	(72,509)
2024	(12,999)	(30,078)
Total	<u>\$ (5,552)</u>	<u>\$ (334,076)</u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019**

10. Other Post-Employment Benefits (OPEB), Continued:

Actuarial Assumptions: The total OPEB liability, net OPEB liability and sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018 using generally accepted actuarial principles. For CERS, the KRS Board of Trustees adopted the following updated actuarial assumptions used in performing the actuarial valuation as of June 30, 2017:

CERS	
Board adopted - interim	
Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous and hazardous
Salary Increase	4.0%, average
Investment Rate of Return	6.25%
Healthcare Trend Pre-65	Initial trend starting at 7.5%, and gradually decreasing to an ultimate trend rate of 5.0% over a period of 5 years.
Healthcare Trend Post-65	Initial trend starting at 5.50%, and gradually decreasing to an ultimate trend rate of 5.0% over a period of 2 years.
KTRS	
Investment Rate of Return:	
Medical Insurance Plan	8.0%, net of OPEB plan investment expense, including inflation
Life Insurance Plan	7.5%, net of OPEB plan investment expense, including inflation
Projected salary increases:	
Medical Insurance Plan	3.5-7.2%, including wage inflation
Life Insurance Plan	4%-8.10% including wage inflation
Inflation	
Medical Insurance Plan	3.00%
Life Insurance Plan	3.50%
Real wage growth	0.5%, for both Medical and Life Insurance Plans.
Wage inflation	
Medical Insurance Plan	3.50%
Life Insurance Plan	4.00%
Healthcare cost trend rates:	
Healthcare Trend Pre-65	Initial trend starting at 7.75% for fiscal year 2018 and decreasing to an ultimate trend rate of 5.00% by fiscal year 2024
Healthcare Trend Post-65	Initial trend starting at 5.75% for fiscal year 2018 decreasing to an ultimate trend rate of 5.00% by fiscal year 2021
Medicare Part B Premiums	0% for fiscal year 2018 with ultimate rate of 5.0% by 2030
Municipal Bond Index Rate	3.89%, for both Medical and Life Insurance Plans.
Single equivalent interest rate:	
Medical Insurance Plan	8.0%, net of OPEB plan investment expense, including inflation
Life Insurance Plan	7.5%, net of OPEB plan investment expense, including inflation

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

10. Other Post-Employment Benefits (OPEB), Continued:

For CERS, mortality rates were based on the RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (setback 1 year for females).

For KTRS, mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Long-term expected rate of return: For CERS was determined by using a building-block method in which the best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	CERS		KTRS			
	Target Allocation	Long-term Expected Real Rate of Return	Medical Insurance Fund		Life Insurance Fund	
			Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equity	17.50%	4.83%	0.00%	0.00%	40.00%	4.20%
Global Equity	0.00%	0.00%	58.00%	4.60%	0.00%	0.00%
International Equity	17.50%	5.58%	0.00%	0.00%	23.00%	5.20%
Fixed Income	0.00%	0.00%	9.00%	1.20%	18.00%	1.20%
Additional Categories	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Global Bonds	4.00%	3.00%	0.00%	0.00%	0.00%	0.00%
Credit Fixed	24.00%	7.92%	0.00%	0.00%	0.00%	0.00%
Real Estate	5.00%	9.00%	5.50%	3.80%	6.00%	3.80%
Absolute Return	10.00%	5.00%	0.00%	0.00%	0.00%	0.00%
Real Return	10.00%	7.00%	0.00%	0.00%	0.00%	0.00%
Private Equity	10.00%	6.50%	6.50%	6.30%	5.00%	6.30%
Other Additional Categories	0.00%	0.00%	20.00%	3.30%	6.00%	3.30%
Cash	<u>2.00%</u>	1.50%	<u>1.00%</u>	0.90%	<u>2.00%</u>	0.90%
	100.00%		100.00%		100.00%	

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

10. Other Post-Employment Benefits (OPEB), Continued:

Discount Rate: For CERS, the single discount rate of 5.85% for Non-hazardous was used to measure the total OPEB liability as of June 30, 2018. For both hazardous and non-hazardous groups, the single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.62% as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2018. The following presents the District's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - CERS

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS - Nonhazardous	4.85%	5.85%	6.85%
District's proportionate share of the net OPEB liability	\$ 2,321,561	\$ 1,787,411	\$ 1,332,414

Discount Rate: For KTRS - Medical Insurance Plan, the single discount rate of 8.0% was used to measure the total OPEB liability as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The following presents the District's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - KTRS

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	7.00%	8.00%	9.00%
District's proportionate share of the net OPEB liability	\$ 6,728,789	\$ 5,738,000	\$ 4,912,854

Healthcare Trend Rate: For CERS, the initial trend rate for participants under 65 years of age starts at 7.5% and gradually decreases to an ultimate trend rate of 5.0% over a period of 5 years. For those over 65 years of age the trend rate starts at 5.5% and gradually decreases to an ultimate trend rate of 5.0% over a period of 2 years. The following table presents the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - CERS

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS - Nonhazardous	4.85%	5.85%	6.85%
District's proportionate share of the net OPEB liability	\$ 1,330,745	\$ 1,787,411	\$ 2,325,689

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

10. Other Post-Employment Benefits (OPEB), Concluded:

Healthcare Trend Rate: For KTRS, the initial trend rate for participants under 65 years of age starts at 7.75% and gradually decreases to an ultimate trend rate of 5.0% by 2024. For those over 65 years of age the trend rate starts at 5.75% and gradually decreases to an ultimate trend rate of 5.0% by 2021. Medicare Part B premiums starts at 0% with an ultimate rate of 5.0% by 2030. The following table presents the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - KTRS

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 4,757,632	\$ 5,738,000	\$ 6,946,851

OPEB Plan Fiduciary Net Position: For both CERS and KTRS, detailed information about the Plan's fiduciary net position is available in the separately issued KRS and KTRS issued financial statements.

11. Arbitrage:

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the insurance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the Company performed calculations of excess investment earnings on various bonds and financings and at June 30, 2019 does not expect to incur a liability.

12. Contingencies:

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor's may request a refund of monies advanced, or refuse to reimburse the District for its disbursements.

The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

12. Contingencies, Concluded:

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

13. Insurance and Risk Management:

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

In prior years, the District obtained workers' compensation and general liability insurance through the Kentucky School Boards Insurance Trust ("KSBIT"), a public entity risk pool for school districts. To address actuarial deficits, KSBIT is issuing all former members assessments for prior years and ceased to operate after June 30, 2014. Glasgow Independent School District has an assessment of \$74,174. The District paid \$13,907 in the current year and has an unpaid balance of \$0 which is recorded in District-Wide Statement of Net Position.

14. Deficit Operating Balances:

There are no governmental funds of the District that currently have a deficit fund balance. The building fund in the governmental funds report decreases in fund balance because the District used prior year fund balances for current year construction costs. The governmental fund operating deficits are summarized in the following Table:

Building Fund	3,742,560
---------------	-----------

15. 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).

16. Transfer of Funds:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash 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. Payments made from the general fund checking account, which may or may not have the legal liability for the expenditure cause payable from the fund having the legal liability to the general fund is established at such time. All interfund receivables and payables have been eliminated on the District-wide Statement of Net Position.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONCLUDED
June 30, 2019

16. Transfer of Funds, Concluded:

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 46,018
Matching	Capital Outlay	Building	Debt Service	\$ 200,951
Operating	Building	Debt Service	Debt Service	\$ 1,330,574
Operating	Building	Construction	Construction	\$ 4,288,869

At June 30, 2019, interfund balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service	\$ 2,766
General Fund	Special Revenue	\$452,824

17. On Behalf Payments

During the year ended June 30, 2019, the Kentucky Division of Finance made payments on behalf of Glasgow Independent School District in the amount of \$6,456,297. These payments were paid for fringe benefits and retirement for the District personnel. These payments have been included in both revenue and expenditures on the Board's financial statements for the year ended June 30, 2019 as follows:

Health Insurance	\$ 2,628,126
KTRS Employer Match	3,020,112
KTRS Employer Match	256,812
Health Reimbursement Account	76,913
State Administration Fees	30,590
Life Insurance	3,705
Federal Reimbursement on Health Benefits	(233,785)
Technology	81,887
School Facilities Construction Commission Debt Service	591,937
	<u>\$ 6,456,297</u>

Recorded as follows:

General Fund	\$ 5,619,153
Food Service Fund	245,207
Debt Service	591,937
	<u>\$ 6,456,297</u>

18. Subsequent Events

Management has evaluated subsequent events through November 5, 2019, the date which the financial statements were available to be issued. The District entered into an agreement to construct a new football fieldhouse and bleachers costing approximately \$3.2 million. The District has spent \$106,980 to date.

REQUIRED SUPPLEMENTARY INFORMATION

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues:				
From local sources:				
Taxes:				
Property	\$ 5,130,000	\$5,130,000	\$ 5,169,413	\$ 39,413
Motor vehicles	350,000	350,000	380,145	30,145
Other	220,000	220,000	224,032	4,032
Tuition and fees	16,500	16,500	46,208	29,708
Earnings on investments	135,000	135,000	292,199	157,199
Other local revenues	87,500	87,500	94,095	6,595
Intergovernmental-state	9,773,000	9,773,000	15,001,401	5,228,401
Intergovernmental-direct federal	70,000	70,000	55,248	(14,752)
Total revenues	<u>15,782,000</u>	<u>15,782,000</u>	<u>21,262,741</u>	<u>5,480,741</u>
Expenditures:				
Instruction	9,316,510	9,316,510	13,431,184	(4,114,674)
Support services:				
Student	782,449	782,449	1,102,861	(320,412)
Instructional staff	540,210	540,210	662,348	(122,138)
District administration	2,185,160	2,185,160	972,377	1,212,783
School administration	1,042,407	1,042,407	1,427,018	(384,611)
Business	353,934	353,934	480,652	(126,718)
Plant operations and maintenance	1,982,362	1,982,362	1,708,804	273,558
Student transportation	668,985	668,985	736,853	(67,868)
Facilities acquisition and construction	497,916	497,916	502,855	(4,939)
Total expenditures	<u>17,369,933</u>	<u>17,369,933</u>	<u>21,024,952</u>	<u>(3,655,019)</u>
Excess (deficit) of revenues over expenditures	<u>(1,587,933)</u>	<u>(1,587,933)</u>	<u>237,789</u>	<u>1,825,722</u>
Other financing sources (uses):				
Proceeds from sale of fixed assets	2,000	2,000	-	(2,000)
Operating transfers in	-	-	-	-
Operating transfers out	(46,018)	(46,018)	(46,018)	-
Total other financing sources (uses)	<u>(44,018)</u>	<u>(44,018)</u>	<u>(46,018)</u>	<u>(2,000)</u>
Net Change in Fund Balance	(1,631,951)	(1,631,951)	191,771	1,823,722
Fund balance, July 1, 2018	<u>1,631,951</u>	<u>1,631,951</u>	<u>2,293,962</u>	<u>662,011</u>
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,485,733</u>	<u>\$ 2,485,733</u>

Note: On behalf payments are not included in budgeted amounts.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
Revenues:				
Intergovernmental-state	\$ 1,017,846	\$ 1,017,846	\$ 1,170,178	\$ 152,332
Intergovernmental-indirect federal	<u>2,299,561</u>	<u>2,299,561</u>	<u>2,360,869</u>	<u>61,308</u>
Total revenues	<u>3,317,407</u>	<u>3,317,407</u>	<u>3,531,047</u>	<u>213,640</u>
Expenditures:				
Instruction	2,592,188	2,592,188	2,686,892	(94,704)
Support services:				
Student	102,854	102,854	79,830	23,024
Instructional staff	375,000	375,000	493,749	(118,749)
Business	138,054	138,054	78,018	60,036
Student transportation	-	-	7,845	(7,845)
Community service activities	<u>233,596</u>	<u>233,596</u>	<u>230,731</u>	<u>2,865</u>
Total expenditures	<u>3,441,692</u>	<u>3,441,692</u>	<u>3,577,065</u>	<u>(135,373)</u>
Excess (deficit) of revenues over expenditures	<u>(124,285)</u>	<u>(124,285)</u>	<u>(46,018)</u>	<u>78,267</u>
Other financing sources (uses):				
Operating transfers in	<u>46,018</u>	<u>46,018</u>	<u>46,018</u>	<u>-</u>
Total other financing sources (uses)	<u>46,018</u>	<u>46,018</u>	<u>46,018</u>	<u>-</u>
Net Change in Fund Balance	(78,267)	(78,267)	-	78,267
Fund balance, July 1, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2019	<u>\$ (78,267)</u>	<u>\$ (78,267)</u>	<u>\$ -</u>	<u>\$ 78,267</u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY – COUNTY EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.100674%	0.101730%	0.101214%	0.098280%	0.976700%
District's proportionate share of the net pension liability	\$ 6,131,353	\$ 5,954,571	\$ 4,983,375	\$ 4,225,679	\$ 3,168,854
District's covered-employee payroll	\$ 2,544,943	\$ 2,480,783	\$ 2,478,338	\$ 2,414,357	\$ 2,293,462
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	240.92%	240.03%	201.08%	175.02%	138.17%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS OF THE NET PENSION LIABILITY-
COUNTY EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 409,998	\$ 356,861	\$ 462,953	\$ 411,890	\$ 405,255
Contributions in relation to the contractually required contribution	<u>(409,998)</u>	<u>(356,861)</u>	<u>(462,953)</u>	<u>(411,890)</u>	<u>(405,255)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 2,544,943	\$ 2,480,783	\$ 2,478,338	\$ 2,414,357	\$ 2,293,462
Contributions as a percentage of covered-employee payroll	16.11%	14.39%	18.68%	17.06%	17.67%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY-
COUNTY EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
District's proportion of the net OPEB liability	0.100672%	0.101730%
District's proportionate share of the net OPEB liability	\$ 1,787,411	\$ 2,045,121
District's covered-employee payroll	\$ 2,544,943	\$ 2,480,783
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	70.23%	82.44%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS OF THE NET OPEB LIABILITY-
COUNTY EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 136,666	\$ 118,954
Contributions in relation to the contractually required contribution	<u>(136,666)</u>	<u>(118,954)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,544,943	\$ 2,480,783
Contributions as a percentage of covered-employee payroll	5.37%	4.80%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY – KENTUCKY TEACHERS RETIREMENT SYSTEM**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net pension liability	-	-	-	-	-
Commonwealth's proportion of the net pension liability associated with the District	0.31%	0.33%	0.31%	0.30%	0.30%
Commonwealth's proportionate share of the net pension liability associated with the District	<u>\$ 41,681,030</u>	<u>\$ 89,270,790</u>	<u>\$ 92,468,678</u>	<u>\$ 71,214,105</u>	<u>\$ 62,599,484</u>
Total	<u>\$ 41,681,030</u>	<u>\$ 89,270,790</u>	<u>\$ 92,468,678</u>	<u>\$ 71,214,105</u>	<u>\$ 62,599,484</u>
District's covered-employee payroll	\$ 11,025,805	\$ 10,903,845	\$ 11,015,425	\$ 10,362,693	\$ 9,940,294
District's proportionate share of the net pension liability	-	-	-	-	-
Commonwealth's proportionate share of the net pension liability as a percentage of the District's covered-employee payroll	378.03%	818.71%	839.45%	687.22%	629.75%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	39.83%	35.22%	42.49%	45.59%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS OF THE NET PENSION LIABILITY-
KENTUCKY TEACHERS RETIRMENT SYSTEM**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 11,025,805	\$ 10,903,845	\$ 11,015,425	\$ 10,362,693	\$ 9,940,294
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET OPEB LIABILITY-
KENTUCKY TEACHERS RETIREMENT SYSTEM**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
District's proportion of the net OPEB liability	0.165372%	0.175443%
District's proportionate share of the net OPEB liability	5,738,000	6,256,000
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>\$ 5,030,000</u>	<u>\$ 5,178,000</u>
Total	<u><u>\$ 10,768,000</u></u>	<u><u>\$ 11,434,000</u></u>
District's covered-employee payroll	\$ 11,025,805	\$ 10,903,845
Commonwealth's proportionate share of the net OPEB liability as a percentage of the District's covered-employee payroll	45.62%	47.49%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	21.18%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS OF THE NET OPEB LIABILITY-
KENTUCKY TEACHERS RETIREMENT SYSTEM**

	<u>June 30, 2018</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 300,539	\$ 294,319
Contributions in relation to the contractually required contribution	<u>(300,539)</u>	<u>(294,319)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 11,025,805	\$ 10,903,845
Contributions as a percentage of covered-employee payroll	2.73%	2.70%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

**GLASGOW INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

	SEEK CAPITAL OUTLAY FUND	DISTRICT ACTIVITY FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Assets and resources:			
Cash and cash equivalents	\$ 103,329	\$ 81,749	\$ 185,078
Total Assets and Resources	<u>\$ 103,329</u>	<u>\$ 81,749</u>	<u>\$ 185,078</u>
Liabilities and fund balance:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable			
Restricted:			
District activity funds	-	81,749	81,749
Capital outlay	103,329	-	103,329
Total fund balances	<u>103,329</u>	<u>81,749</u>	<u>185,078</u>
Total Liabilities and Fund Balances	<u>\$ 103,329</u>	<u>\$ 81,749</u>	<u>\$ 185,078</u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2019**

	Seek Capital Outlay Fund	District Activity Fund	Total Nonmajor Governmental Funds
Revenues:			
Other local revenues	\$ -	\$ 23,793	\$ 23,793
Intergovernmental-State	200,951	-	200,951
Total revenues	<u>200,951</u>	<u>23,793</u>	<u>224,744</u>
Expenditures:			
Other	-	15,371	15,371
Total expenditures	<u>-</u>	<u>15,371</u>	<u>15,371</u>
Excess (deficit) of revenues over expenditures	<u>200,951</u>	<u>8,422</u>	<u>209,373</u>
Other financing sources (uses):			
Operating transfers out	<u>(200,951)</u>	-	<u>(200,951)</u>
Total other financing sources (uses)	<u>(200,951)</u>	<u>-</u>	<u>(200,951)</u>
Net Change in Fund Balance	-	8,422	8,422
Fund balance, July 1, 2018	<u>103,329</u>	<u>73,327</u>	<u>176,656</u>
Fund balance, June 30, 2019	<u>\$ 103,329</u>	<u>\$ 81,749</u>	<u>\$ 185,078</u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
GLASGOW HIGH SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2019**

		Cash Balance	(1) Receipts	(1) Disbursements	Cash Balance	Accounts Receivable	Accounts Payable	Due to Student Groups
		July 1, 2018			June 30, 2019			June 30, 2019
100	High School Misc.	\$ 3,944	\$ 5,748	\$ 9,135	\$ 557	\$ -	\$ -	\$ 557
101	FEES	302	25,927	26,229	-	-	-	-
102	Faculty Machines	351	1,546	930	967	-	-	967
103	Now Account	5,253	5,399	2,590	8,062	-	-	8,062
104	School Pictures	2,251	-	2,251	-	-	-	-
105	Student Machines	118	115	96	137	-	-	137
106	Student Activities	4,657	6,110	9,852	915	-	-	915
107	Student Incentives	1,259	1,500	2,746	13	-	-	13
108	Inst. Supplements	370	10,697	10,511	556	-	-	556
109	Children's Day	678	1,301	1,161	818	-	19	799
110	Guidance	1,230	26,916	25,449	2,697	-	-	2,697
111	Freshmen Core	37	-	37	-	-	-	-
112	Kids Benefits	2,449	-	789	1,660	-	-	1,660
113	Special Account	150	-	-	150	-	-	150
114	Youth Service Center	-	4,253	3,696	557	-	-	557
300	Academic Team	1,178	4,435	3,735	1,878	-	-	1,878
301	Art Club	3,850	7,780	7,367	4,263	-	-	4,263
302	Band	71	-	35	36	-	-	36
303	Beta Club	1	15,015	13,638	1,378	350	-	1,728
304	Deca Club	2,498	24,605	24,560	2,543	-	-	2,543
305	FCA - Fellow Christian	5	-	-	5	-	-	5
306	FCCLA	363	2,072	319	2,116	-	53	2,063
307	Foreign Language Dept.	184	680	789	75	-	-	75
309	Latino Student Org.	26	-	-	26	-	-	26
310	Pep Club	576	500	539	537	-	-	537
311	Student ambassadors	672	2,672	2,987	357	-	-	357
313	Spanish Club	1,853	1,351	1,691	1,513	-	-	1,513
314	TSA	1,533	11,553	10,534	2,552	-	-	2,552
315	Student Y	6,746	20,481	17,803	9,424	-	-	9,424
316	HOSA	250	1,120	602	768	-	-	768
400	Advantage Network	3,214	180	20	3,374	-	-	3,374
401	Bookstore	3,150	2,926	2,376	3,700	-	-	3,700
402	Academy of Engineering	92	500	280	312	-	-	312
403	Industrial Arts	184	1,810	1,985	9	-	-	9
404	Art Department	143	1,225	1,013	355	-	-	355
405	Adv. Med	365	174	300	239	-	206	33
406	Culinary Arts	2,677	15,605	16,793	1,489	-	35	1,454
407	Home Economics	308	500	266	542	-	-	542
408	Choir	2,351	19,737	21,944	144	-	-	144
409	English Department	107	1,181	1,015	273	-	-	273
410	Library	556	205	630	131	-	-	131
411	Health/PE	863	35	7	891	-	-	891
412	Science Lab Fees	10	1,551	1,475	86	-	-	86
413	SPED	242	70	144	168	-	-	168
414	Social Studies	947	-	203	744	-	-	744
415	Tea with the Scotties	685	372	970	87	-	65	22
416	Yearbook	9,266	9,984	14,755	4,495	-	-	4,495
417	Seniors	7,621	13,865	19,439	2,047	-	45	2,002
418	Marketing	1,714	500	898	1,316	-	-	1,316
419	Math Department	7	613	559	61	-	-	61
420	Magazines	4,181	12,730	14,111	2,800	-	-	2,800
421	Orchestra	11	-	-	11	-	-	11
500	Athletics - General	38,130	108,318	105,769	40,679	-	251	40,428
501	Ath. - Miscellaneous	592	2,977	2,787	782	-	-	782
502	Ath. - Officials	725	24,650	25,250	125	-	-	125
503	Ath. - Uniform	-	3,755	3,755	-	-	-	-
504	Ath. - Boys' Basketball	553	4,845	4,518	880	-	-	880
505	Ath. - Boys' Golf	2,009	8,493	8,173	2,329	-	-	2,329
506	Ath. - Boys' Soccer	1,998	15,190	11,833	5,355	-	-	5,355
507	Ath. - Boys' Tennis	822	700	820	702	-	338	364
508	Ath. - Baseball	7,050	26,492	26,284	7,258	-	-	7,258
509	Ath. - Cheerleaders	3,796	13,873	17,627	42	-	-	42
510	Ath. - Football	9,210	36,441	35,267	10,384	-	-	10,384
511	Ath. - Girls' Basketball	565	2,665	2,913	317	-	303	14
512	Ath. - Girls' Golf	3,688	5,940	7,515	2,113	-	-	2,113
513	Ath. - Girls' Soccer	2,024	2,500	1,563	2,961	-	-	2,961
514	Ath. - Girls' Tennis	835	700	774	761	-	338	423
515	Ath. - Softball	7,419	10,292	11,099	6,612	-	760	5,852
516	Ath. - Swimming	-	873	784	89	-	-	89
517	Ath. - Girls' Track	3,112	1,961	3,451	1,622	-	40	1,582
518	Ath. - Volleyball	934	1,459	1,441	952	-	-	952
519	Ath. - Cross Country	2,462	4,085	4,421	2,126	-	-	2,126
520	Archery Club	166	570	546	190	-	-	190
521	BC Boys Basketball	822	8,013	5,953	2,882	-	-	2,882
522	BC Girls Basketball	905	7,990	6,562	2,333	-	-	2,333
523	BC Girls Golf	610	250	250	610	-	-	610
524	BC Quarterback	8,793	41,186	39,274	10,705	-	-	10,705
525	BC Volleyball	3,637	8,380	8,272	3,745	-	-	3,745
		<u>\$ 182,406</u>	<u>\$ 608,137</u>	<u>\$ 616,155</u>	<u>\$ 174,388</u>	<u>\$ 350</u>	<u>\$ 2,453</u>	<u>\$ 172,285</u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
GLASGOW MIDDLE SCHOOL AND ELEMENTARY SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
For the Year Ended June 30, 2019**

	Cash Balance <u>July 1, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balance <u>June 30, 2019</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	Due to Student Groups <u>June 30, 2019</u>
Glasgow Middle School	\$ 67,691	\$ 116,422	\$ 104,212	\$ 79,901	\$ 72	\$ 2,498	\$ 77,475
Highland Elementary	54,416	91,219	87,373	58,262	3,250	4,074	57,438
Glasgow Preschool Academy	13,140	11,462	10,701	13,901	-	2,460	11,441
South Green Elementary	<u>28,946</u>	<u>56,355</u>	<u>57,682</u>	<u>27,619</u>	<u>-</u>	<u>-</u>	<u>27,619</u>
	<u>\$ 164,193</u>	<u>\$ 275,458</u>	<u>\$ 259,968</u>	<u>\$ 179,683</u>	<u>\$ 3,322</u>	<u>\$ 9,032</u>	<u>\$ 173,973</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	7750002.18/19	\$ 1,053,318
Summer Food Service Program	10.559	7690023-24.18/19	85,904
National School Breakfast Program	10.553	7760005.18/19	<u>550,166</u>
Total Child Nutrition Cluster			<u>1,689,388</u>
Other Programs			
Child Nutrition Discretionary Grant	10.579	7840027 16	25,000
Commodity Supplement Food Program	10.565	7750002 18	<u>86,583</u>
Total Other Programs			<u>111,583</u>
Total U.S. Department of Agriculture			<u>\$ 1,800,971</u>
<u>U.S. Department of Education:</u>			
Passed-through State Department of Education:			
Title I, Part A Cluster			
Title I Grants	84.010	3100002	\$ 1,374,397
Migrant Education	84.011	3110002	<u>80,217</u>
Total Title I, Part A Cluster			<u>1,454,614</u>
Special Education Cluster (IDEA)			
Special Education Grants	84.027	3810002	437,431
Special Education Preschool Grants	84.173	3800002	<u>20,839</u>
Total Special Education Cluster (IDEA)			<u>458,270</u>
Other Programs			
Career and Technical Education	84.048	3710002	18,310
English Language Acquisition	84.365	3300002	18,794
Student Support and Academic	84.424	3420002	77,003
21st Century	84.287	3400002	215,742
Rural Education	84.358	3140002	49,164
Improving Teacher Quality	84.367	3230002	<u>59,006</u>
Total Other Programs			<u>438,019</u>
Total U.S. Department of Education			<u>\$ 2,350,903</u>
Total expenditures of federal awards			<u>\$ 4,151,874</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Glasgow Independent School District under 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 Glasgow Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Glasgow Independent School District.

2. Summary of Significant Accounting Policies:

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. 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 represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities disbursed.

4. Indirect Cost Rate:

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

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

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

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

Dollar threshold used to distinguish Between type A and type B programs: \$750,000

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

Identification of Major Programs:

Federal Grantor/Program Title	CFDA Number
U.S. Department of Education	
Passed Through Kentucky Department of Education:	
Title I Part A Cluster	
Title I Grants	84.010

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONCLUDED
For the Year Ended June 30, 2019**

II. FINANCIAL STATEMENTS FINDINGS

a. No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

a. No matters were reported.

IV. NONCOMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

a. No matters were reported.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2019**

No matters were reported.



Cindy L. Greer, CPA ▪ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ▪ L. Joe Rutledge, CPA ▪ Ryan A. Mosier, CPA ▪ Jenna B. Glass, CPA ▪ Van Shepard, CPA

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*

Members of the Board of Education
Glasgow Independent School District
Glasgow, Kentucky 42141

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Glasgow Independent School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Glasgow Independent School District's basic financial statements, and have issued our report thereon dated November 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Glasgow Independent 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 Glasgow Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Glasgow Independent 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 Glasgow Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management of Glasgow Independent School District in a separate letter dated November 5, 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.

Campbell, Myers & Ratledge, PLLC

Glasgow, Kentucky
November 5, 2019



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

Members of the Board of Education
Glasgow Independent School District
Glasgow, Kentucky 42141

Report on Compliance for Each Major Federal Program

We have audited the Glasgow Independent 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 Glasgow Independent School District's major federal programs for the year ended June 30, 2019. Glasgow Independent 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 Glasgow Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Glasgow Independent 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 Glasgow Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Glasgow Independent 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 Glasgow Independent 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 Glasgow Independent 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 Glasgow Independent School District's internal control over compliance.

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

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

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

Campbell, Myers & Rutledge, PLLC

Glasgow, Kentucky
November 5, 2019

