

GREENUP COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

GREENUP COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Greenup County School District
Greenup, Kentucky

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 Greenup County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the "Auditor Responsibilities" Section of the *Kentucky Public School Districts' Audit Contract and Requirements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Greenup County 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, budgetary comparison information, and pension and OPEB information on pages 4 through 8 and 55 through 66 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 Greenup County School District's basic financial statements.

The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements of changes in assets and liabilities – school activity funds 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 Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

These statements and schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019, on our consideration of the District's internal control over financial reporting and our testing of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Ashland, Kentucky
November 13, 2019

GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

FINANCIAL HIGHLIGHTS

- The beginning unassigned fund balance for General Fund was \$4,728,413 ending the Fiscal Year on June 30, 2018.
- The ending unassigned fund balance for General Fund increased \$435,499 to a balance of \$5,163,912 ending the Fiscal Year on June 30, 2019.
- An increase in unassigned fund balance is partially attributable to other funds needing fewer resources from the general fund than the prior year to cover their expenses.
- Beginning district-wide net position including capital assets and related long term debt was \$1,282,618 ending the Fiscal Year June 30, 2018.
- The ending district-wide net position increased \$671,160 to \$1,953,778 ending the Fiscal Year June 30, 2019.
- An increase in district-wide net position is attributable to the retirement of debt.
- The fundable average daily attendance for the Fiscal Year ended June 30, 2018 was 2,499.
- The fundable average daily attendance decreased to 2,435 for the 2019 Fiscal Year.
- During the 2019 Fiscal Year Greenup County Board of Education expended \$851,677 on capital assets; and made principal payments for the retirement of debt in the amount of \$1,404,622

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 financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 9 and 10 of this report.

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

The basic governmental fund financial statements can be found on pages 11 through 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 financial statements can be found on pages 19 through 54 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 of resources exceeded liabilities and deferred inflows of resources by \$1,953,778 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 assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net Position for the periods ending June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Current Assets	\$ 7,031,433	\$ 6,347,494
Noncurrent Assets	25,933,706	26,590,789
Total Assets	<u>\$ 32,965,139</u>	<u>\$ 32,938,283</u>
Deferred Outflows of Resources	<u>\$ 4,007,493</u>	<u>\$ 4,681,214</u>
Current Liabilities	\$ 2,118,998	\$ 2,034,244
Long-Term Liabilities	30,666,051	32,369,419
Total Liabilities	<u>\$ 32,785,049</u>	<u>\$ 34,403,663</u>
Deferred Inflows of Resources	<u>\$ 2,233,805</u>	<u>\$ 1,933,216</u>
Invested in Capital Assets (Net of Debt)	\$ 25,933,706	13,785,926
Restricted	(98,760)	(362,251)
Unrestricted	(23,881,168)	(12,141,057)
Total Net Position	<u>\$ 1,953,778</u>	<u>\$ 1,282,618</u>

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons:

- The District's total revenue for the fiscal year ended June 30, 2019, net of Interfund transfers was \$31,393,563.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$3,802,675 more than budget.
- General fund budget compared to actual expenditures varied from line item to line item with the ending actual balance being \$2,422,905 more than budget.
- General fund budget compared to actual other financing sources (uses) varied from line item to line item with the ending balance being \$173,691 more than budget.
- The general fund net position was \$1,553,461 more favorable than budget.

GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The following table presents a summary of the District's revenues and expenses for the fiscal years ending:

	<u>2019</u>	<u>2018</u>
Revenues:		
Taxes	\$ 7,737,732	\$ 7,618,513
State Aid Formula Grants	18,805,241	19,164,085
Operating Grants and Contributions	5,428,595	5,091,529
Capital Grants and Contributions	1,267,794	1,257,806
Charges for Services	143,996	129,829
Investment Earnings	151,972	72,438
Other	265,487	250,519
Total Revenues	<u>\$ 33,800,817</u>	<u>\$ 33,584,719</u>
Expenses:		
Instruction	\$ 17,511,389	\$ 17,820,742
Student Support Services	2,359,584	2,436,495
Staff Support	1,568,253	1,748,632
District Administration	1,147,495	985,484
School Administration	2,268,254	2,206,897
Business Support	718,520	785,180
Plant Operations	3,324,512	3,365,123
Student Transportation	1,973,662	1,906,239
Community Support	6,257	295,575
Food Service	1,975,206	1,992,045
Interest on Long Term Debt	276,525	715,069
Total Expenses	<u>\$ 33,129,657</u>	<u>\$ 34,257,481</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>\$ 671,160</u>	<u>\$ (672,762)</u>

Revenue

The majority of revenue was derived from state-aid formula grants, 55.6%, with local taxes making up 22.9% of total revenue.

School Allocation

Instruction accounts for 53% for of the school level expenditures.

GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The District’s investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$25,715,051. The investment in capital assets includes land, land improvements, buildings and improvements, technology equipment, machinery and equipment, and vehicles. The total decrease in the District’s investment in capital assets for the current fiscal year was \$643,307, or 2.4%, which is due mostly to the annual depreciation expense for depreciable assets. Beyond the depreciation decrease, major capital asset events during the current fiscal year consisted primarily of the purchase of school buses.

	2019	2018	Variance
	Governmental Activities	Governmental Activities	
Land	\$ 136,284	\$ 136,284	\$ -
Buildings and Improvements	23,761,380	24,497,129	(735,749)
Infrastructure	204,123	197,881	6,242
Technology and Equipment	291,017	421,401	(130,384)
Machinery and Equipment	233,803	160,319	73,484
Vehicles	1,088,444	945,344	143,100
Total	\$ 25,715,051	\$ 26,358,358	\$ (643,307)

Long-term Debt – At the end of the current fiscal year, the District had total bonded debt outstanding of \$10,410,000. The District finances some vehicle acquisitions through loans secured through the Kentucky Interlocal School Transportation Association (KISTA), primarily acquisition of school buses. At June 30, 2019, the District had a liability recorded for outstanding KISTA loans in the amount of \$1,081,734. The District owes amounts to the Kentucky School Boards Insurance Trust (KSBIT) in regards to the underfunded insurance pool, payable in equal yearly installments. At June 30, 2019, the liability for the KSBIT Assessment Payable amounted to \$86,292. Employees of the District are eligible to receive from the District an amount equal to 30% of the value of accumulated sick leave upon retirement from the school system. At June 30, 2019, the liability for such costs was \$948,560.

	2019	2018	Variance
	Governmental Activities	Governmental Activities	
Revenue Bonds	\$ 10,410,000	\$ 10,960,000	\$ (550,000)
KISTA Loans	1,081,734	1,594,864	(513,130)
KSBIT Assessment Payable	86,292	129,439	(43,147)
Accumulated Sick Leave	948,560	1,050,287	(101,727)
Total	\$ 12,526,586	\$ 13,734,590	\$ (1,208,004)

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$3.41 million in contingency in the current 2019 school year.

Questions regarding this report should be directed to the Superintendent at (606) 473-9819, or to the Finance Director, (606) 473-9810, or by mail at 45 Musketeer Drive, Greenup, Kentucky 41144.

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

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 5,620,607	\$ 817,086	\$ 6,437,693
Receivables (net of allowances for uncollectibles):			
Property Taxes	322,814	-	322,814
Intergovernmental - State	204,823	-	204,823
Intergovernmental - Federal	12,957	13,648	26,605
Inventories	-	39,498	39,498
Capital Assets, Not Being Depreciated	136,284	-	136,284
Capital Assets, Being Depreciated, Net	25,578,767	218,655	25,797,422
Total Assets	<u>\$ 31,876,252</u>	<u>\$ 1,088,887</u>	<u>\$ 32,965,139</u>
Deferred Outflows of Resources:			
Deferred Outflows from Pensions	\$ 2,343,444	\$ 320,407	\$ 2,663,851
Deferred Outflows from OPEB	1,247,624	96,018	1,343,642
Total Deferred Outflows of Resources	<u>\$ 3,591,068</u>	<u>\$ 416,425</u>	<u>\$ 4,007,493</u>
Liabilities:			
Accounts Payable	\$ 280,764	\$ 6,540	\$ 287,304
Interest Payable	82,601	-	82,601
Noncurrent Liabilities:			
Portion Due or Payable Within One Year:			
Debt Obligations	1,421,379	-	1,421,379
KSBIT Assessment Payable	43,146	-	43,146
Accrued Sick Leave	284,568	-	284,568
Portion Due or Payable After One Year:			
Debt Obligations	10,070,355	-	10,070,355
KSBIT Assessment Payable	43,146	-	43,146
Accrued Sick Leave	663,992	-	663,992
Net Pension Liability	8,905,786	1,217,640	10,123,426
Net OPEB Liability	9,410,171	354,961	9,765,132
Total Liabilities	<u>\$ 31,205,908</u>	<u>\$ 1,579,141</u>	<u>\$ 32,785,049</u>
Deferred Inflows of Resources:			
Grant Revenues Received in Advance	\$ 334,813	\$ -	\$ 334,813
Deferred Inflows on Pensions	707,493	96,732	804,225
Deferred Inflows on OPEB	1,022,988	71,779	1,094,767
Total Deferred Inflows of Resources	<u>\$ 2,065,294</u>	<u>\$ 168,511</u>	<u>\$ 2,233,805</u>
Net Position:			
Invested in Capital Assets, Net of Related Debt	\$ 25,715,051	\$ 218,655	\$ 25,933,706
Restricted	362,235	(460,995)	(98,760)
Unrestricted	(23,881,168)	-	(23,881,168)
Total Net Position	<u>\$ 2,196,118</u>	<u>\$ (242,340)</u>	<u>\$ 1,953,778</u>

See Notes to the Basic Financial Statements.

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

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instructional	\$ 17,511,389	\$ 3,056,818	\$ -	\$ (14,454,571)	\$ -	\$ (14,454,571)
Support Services:						
Students	2,359,584	84,556	-	(2,275,028)	-	(2,275,028)
Instructional Staff	1,568,253	51,744	-	(1,516,509)	-	(1,516,509)
District Administration	1,147,495	-	-	(1,147,495)	-	(1,147,495)
School Administration	2,268,254	-	-	(2,268,254)	-	(2,268,254)
Business and Other Support Services	718,520	-	-	(718,520)	-	(718,520)
Operation and Maintenance of Plant	3,324,512	66,840	-	(3,257,672)	-	(3,257,672)
Student Transportation	1,973,662	2,380	-	(1,971,282)	-	(1,971,282)
Community Services	6,257	320,740	-	314,483	-	314,483
Facility Acquisition and Construction	-	-	1,129,624	1,129,624	-	1,129,624
Debt Service	276,525	-	-	(276,525)	-	(276,525)
Total Government Activities	31,154,451	3,583,078	1,129,624	(26,441,749)	-	(26,441,749)
Business-Type Activities:						
Food Service	1,975,206	143,996	138,170	-	152,477	152,477
Total Business-Type Activities	1,975,206	143,996	138,170	-	152,477	152,477
Total School District	\$ 33,129,657	\$ 5,428,595	\$ 1,267,794	(26,441,749)	152,477	(26,289,272)
General Revenues						
Taxes				7,737,732	-	7,737,732
Intergovernmental Revenues				18,805,241	-	18,805,241
Investment Earnings				116,956	35,016	151,972
Miscellaneous				254,338	7,789	262,127
Interfund Transfer				-	3,360	3,360
Total General Revenues				\$ 26,914,267	\$ 46,165	\$ 26,960,432
Change In Net Position				472,518	198,642	671,160
Net Position, June 30, 2018				1,723,600	(440,982)	1,282,618
Net Position, June 30, 2019				\$ 2,196,118	\$ (242,340)	\$ 1,953,778

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 5,316,221	\$ 194,036	\$ 110,350	\$ 5,620,607
Receivables (net of allowances for uncollectibles):				
Property Taxes	322,814	-	-	322,814
Intergovernmental - State	3,348	201,475	-	204,823
Intergovernmental - Federal	12,957	-	-	12,957
Total Assets	<u>\$ 5,655,340</u>	<u>\$ 395,511</u>	<u>\$ 110,350</u>	<u>\$ 6,161,201</u>
Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Accounts Payable	\$ 206,480	\$ 66,248	\$ 8,036	\$ 280,764
Accrued Sick Leave	284,948	-	-	284,948
Total Liabilities	<u>\$ 491,428</u>	<u>\$ 66,248</u>	<u>\$ 8,036</u>	<u>\$ 565,712</u>
Deferred Inflows of Resources				
Grant Revenue Received in Advance	\$ -	\$ 334,813	\$ -	\$ 334,813
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 334,813</u>	<u>\$ -</u>	<u>\$ 334,813</u>
Fund Balances:				
Restricted - Accrued Sick Leave	\$ 250,000	\$ -	\$ -	\$ 250,000
Restricted - Other	-	-	38,510	38,510
Restricted - SFCC Escrow-Current	-	-	22,851	22,851
Committed - Other	-	-	40,953	40,953
Assigned - Site Based Carryforward	112,235	18,661	-	130,896
Unassigned	4,801,677	(24,211)	-	4,777,466
Total Fund Balances	<u>\$ 5,163,912</u>	<u>\$ (5,550)</u>	<u>\$ 102,314</u>	<u>\$ 5,260,676</u>
Total Liabilities and Fund Balances	<u>\$ 5,655,340</u>	<u>\$ 395,511</u>	<u>\$ 110,350</u>	<u>\$ 6,161,201</u>

See Notes to the Basic Financial Statements.

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

Total Governmental Fund Balance	\$	5,260,676
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		25,715,051
Certain other assets and liabilities are not available to pay current period expenditures and therefore are not reported in the governmental funds.		(82,601)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in governmental funds:		
Deferred Outflows from Pensions		2,343,444
Deferred Outflows from OPEB		1,247,624
Deferred Inflows from Pensions		(707,493)
Deferred Inflows from OPEB		(1,022,988)
Long-term liabilities, including bonds payable and post-employment liability, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		(30,557,595)
Net Position of Governmental Activities	<u>\$</u>	<u>2,196,118</u>

See Notes to the Basic Financial Statements.

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

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 7,267,416	\$ -	\$ 470,316	\$ 7,737,732
Interest Income	116,757	-	199	116,956
Intergovernmental - State	19,098,095	1,061,953	1,129,624	21,289,672
Intergovernmental - Federal	37,464	1,982,574	-	2,020,038
Other Local Revenues	143,655	12,291	73,219	229,165
Total Revenues	<u>\$ 26,663,387</u>	<u>\$ 3,056,818</u>	<u>\$ 1,673,358</u>	<u>\$ 31,393,563</u>
Expenditures:				
Instruction	\$ 13,307,072	\$ 2,588,583	\$ 55,601	\$ 15,951,256
Students	2,307,884	84,556	-	2,392,440
Instructional Staff	1,526,828	51,744	4,404	1,582,976
District Administration	1,084,492	-	-	1,084,492
School Administration	2,216,371	-	-	2,216,371
Business and Other Support Services	700,272	-	-	700,272
Operation and Maintenance of Plant	3,145,912	66,840	4,834	3,217,586
Student Transportation	1,788,723	2,380	-	1,791,103
Community Services	-	320,740	-	320,740
Debt Service	276,525	-	1,417,914	1,694,439
Total Expenditures	<u>\$ 26,354,079</u>	<u>\$ 3,114,843</u>	<u>\$ 1,482,753</u>	<u>\$ 30,951,675</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 309,308</u>	<u>\$ (58,025)</u>	<u>\$ 190,605</u>	<u>\$ 441,888</u>
Other Financing Sources (Uses):				
Operating Transfers In	\$ 182,026	\$ 285,365	\$ 1,109,832	\$ 1,577,223
Operating Transfers Out	(55,835)	(232,890)	(1,291,858)	(1,580,583)
Total Other Financing (Uses) Sources	<u>\$ 126,191</u>	<u>\$ 52,475</u>	<u>\$ (182,026)</u>	<u>\$ (3,360)</u>
Net Change in Fund Balances	<u>\$ 435,499</u>	<u>\$ (5,550)</u>	<u>\$ 8,579</u>	<u>\$ 438,528</u>
Fund Balances, June 30, 2018	\$ 4,728,413	\$ -	\$ 93,735	\$ 4,822,148
Fund Balances, June 30, 2019	<u>\$ 5,163,912</u>	<u>\$ (5,550)</u>	<u>\$ 102,314</u>	<u>\$ 5,260,676</u>

See Notes to the Basic Financial Statements.

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

Amounts Reported For Governmental Activities in the Statement of Net Position are Different Because:

Net Changes in Fund Balance - Governmental Funds \$ 438,528

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	835,677	
Depreciation expense	<u>(1,478,984)</u>	(643,307)

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

KTRS on-behalf pension revenue	3,608,628	
KTRS on-behalf pension expense	(3,608,628)	
Pension Expense, Net	(679,650)	
OPEB Expense, Net	<u>2,901</u>	(676,749)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the Statement of Net Position. 1,404,623

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Amortization of deferred savings from refunding bonds 114,798

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

Long-term portion of accrued sick leave	71,209
Decrease in accrued interest	18,616
KSBIT assessment payable	43,146

Bond and capital lease proceeds are recognized as revenues in the fund financial statements, but are increases in liabilities in the Statement of Net Position (298,346)

Change in Net Position of Governmental Activities \$ 472,518

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	Food Service Fund	Total Proprietary Fund
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 817,086	\$ 817,086
Receivables (net of allowances for uncollectibles):		
Intergovernmental - State	13,648	13,648
Inventories	39,498	39,498
Total Current Assets	\$ 870,232	\$ 870,232
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation	\$ 218,655	\$ 218,655
Total Noncurrent Assets	218,655	218,655
Total Assets	\$ 1,088,887	\$ 1,088,887
Deferred Outflows of Resources:		
Deferred Outflows from Pensions	\$ 320,407	\$ 320,407
Deferred Outflows from OPEB	96,018	96,018
Total Deferred Outflows of Resources	416,425	416,425
Total Assets and Deferred Outflows	\$ 1,505,312	\$ 1,505,312
Liabilities:		
Current Liabilities:		
Accounts Payable	\$ 6,540	\$ 6,540
Total Current Liabilities	\$ 6,540	\$ 6,540
Noncurrent Liabilities:		
Net Pension Liability	\$ 1,217,640	\$ 1,217,640
Net OPEB Liability	354,961	354,961
Total Liabilities	\$ 1,579,141	\$ 1,579,141
Deferred Inflows of Resources:		
Deferred Inflows from Pensions	\$ 96,732	\$ 96,732
Deferred Inflows from OPEB	71,779	71,779
Total Deferred Inflows of Resources	\$ 168,511	\$ 168,511
Net Position:		
Invested in Capital Assets	\$ 218,655	\$ 218,655
Restricted	(460,995)	(460,995)
Total Net Position	(242,340)	(242,340)
Total Liabilities, Deferred Inflows and Net Position	\$ 1,505,312	\$ 1,505,312

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Food Service Fund
Operating Revenues:	
Lunchroom Sales	\$ 143,996
Other Operating Revenues	7,789
Total Operating Revenues	\$ 151,785
Operating Expenses:	
Salaries and Benefits	\$ 872,837
Contract Services	26,330
Materials and Supplies	984,626
Depreciation	29,776
Other Operating Expenses	61,637
Total Operating Expenses	\$ 1,975,206
Operating Gain / (Loss)	\$ (1,823,421)
Nonoperating Revenues:	
Federal Grants	\$ 1,721,343
State Grants	124,174
Donated Commodities	138,170
Interest Income	35,016
Total Nonoperating Revenues	\$ 2,018,703
Other Financing Sources / (Uses):	
Operating Transfers In	\$ 3,360
Total Other Financing Sources / (Uses)	\$ 3,360
Increase / (Decrease) in Net Position	\$ 198,642
Net Position, June 30, 2018	\$ (440,982)
Net Position, June 30, 2019	\$ (242,340)

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Food Service Fund</u>
Cash flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 143,996
Other operating revenues	7,789
Cash paid to/for:	
Employees (less on behalf of payments, pension and OPEB change)	(682,461)
Supplies (less commodities and capital purchases)	(830,456)
Other Activities	(131,830)
Net cash used for operating activities	<u>\$ (1,492,962)</u>
Cash flows from noncapital financing activities:	
Government grants	\$ 1,845,517
Transfers from other funds	3,360
Net cash provided by noncapital financing activities	<u>\$ 1,848,877</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (16,000)
Net cash used for capital and related financing activities	<u>\$ (16,000)</u>
Cash flows from Investing Activities:	
Interest received on investments	\$ 35,016
Net cash provided by investing activities	<u>\$ 35,016</u>
Net increase/(decrease) in cash and cash equivalents	\$ 374,931
Cash and cash equivalents, June 30, 2018	<u>\$ 442,155</u>
Cash and cash equivalents, June 30, 2019	<u><u>\$ 817,086</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (1,823,421)
Adjustments to Reconcile operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation	\$ 29,776
Donated Commodities	138,170
Employee benefits paid by KDE	107,179
Net pension adjustment	109,527
Net OPEB adjustment	11,199
Change in assets and liabilities:	
Inventory	36,684
Accounts payable	3,613
Net Cash Used for Operating Activities	<u>\$ (1,387,273)</u>
Non-Cash Items:	
Employee benefits paid by KDE	\$ 107,179
Donated Commodities	\$ 138,170

See Notes to the Basic Financial Statements.

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

	Agency Funds
Assets:	
Cash and Cash Equivalents	\$ 188,789
Total Assets	188,789
Liabilities:	
Due to Students	188,789
Total Liabilities	188,789
Net Position Held in Trust	\$ -

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 – Nature of Activities:

A. Reporting Entity

The Greenup County Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Greenup County School District (the "District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Board. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 45 Musketeer Drive, Greenup, Kentucky 41144.

Greenup County School District Finance Corporation - On September 27, 1993, the Greenup County Board of Education resolved to authorize the establishment of the Greenup County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Greenup County Board of Education also comprise the Corporation's Board of Directors.

B. Summary of Significant Accounting Policies and Description of Funds

Basis of Presentation

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

Government-wide Statements - Provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government and business-type activities of the District. Governmental

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 – Nature of Activities (Cont.):

activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balances are considered as resources available for use. This is a major fund of the District.

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

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 – Nature of Activities (Cont.):

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.

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

i. 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.

ii. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy and also participates in the Kentucky 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.

iii. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

(D) Debt Service Funds are used to account for the accumulation of resources for, and 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 Fund Type (Enterprise Fund)

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

III. Fiduciary Fund Type (includes Agency and 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 the *Uniform Program of Accounting for School Activity Funds*.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 – Nature of Activities (Cont.):

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. Propriety and fiduciary funds also use the accrual basis of accounting.

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

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, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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 school 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.

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.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 – Nature of Activities (Cont.):

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2019. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements related to encumbrance accounting. Encumbrances outstanding at year-end are reported in the appropriate fund balance category (restricted, committed, or assigned) since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<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 equipment	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other general equipment	10 years

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 – Nature of Activities (Cont.):

Interfund Activity

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.

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

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory at cost, on the first-in, first-out basis, using the accrual basis of accounting.

Budgetary Process

The District is required by state law to adopt annual budgets for the general fund, special revenue fund, capital outlay fund and the food service fund. The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See Note (14) for these amounts which were not known by the District at the time the budget was adopted.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business property located in the District. The assessed value of property upon which the levy for the 2019 fiscal year was based was \$807,105,593.

The tax rates assessed for the year ended June 30, 2019, to finance general fund operations were \$.842 on real estate and \$.494 on motor vehicles, per \$100 valuation.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2019, were approximately 95.87% of the tax levy.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 – Nature of Activities (Cont.):

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, all 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.

Fund Balance Reserves

The District reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion, which is available for appropriation in future periods. Fund balances reserves have been established for accrued sick leave. Unreserved fund balances are composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represent tentative plans for future use of financial resources.

Fund Equity

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- I.** Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- II.** Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- III.** Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2019.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 – Nature of Activities (Cont.):

Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

IV. Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.

V. Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the propriety funds. For the District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the foods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Interfund Activity

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

Restricted Resources

Restricted resources should be applied first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. If an expense is incurred for purposes for which committed, assigned, and unrestricted fund balances are all available, the fund balances should be reduced in the following order: committed, assigned, and then unrestricted.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 – Nature of Activities (Cont.):

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Balances of deferred outflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. For the fiscal year ended June 30, 2019, the District reported deferred outflows of resources on the government-wide financial statements for deferred pension contributions, deferred pension and OPEB payments, and advance refunding bond payments.

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

Balances of deferred inflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. For the fiscal year ended June 30, 2019, the District reported deferred inflows of resources on the government-wide financial statements for deferred pension investment earnings, and deferred OPEB investment earnings.

Pensions and OPEB

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, OPEB, pension expense, and OPEB 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 and OPEB. 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.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 2 - Recent Accounting Pronouncements:

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the District beginning with its year ending June 30, 2020. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the District beginning with its year ending June 30, 2021 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 2 - Recent Accounting Pronouncements (Cont.):

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* ("GASB 88"), which seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, while providing financial statement users with additional essential information concerning debt. In particular, GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date that the contractual obligation is established, and it clarifies which liabilities governments should include when disclosing information related to debt. Furthermore, this Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including (1) unused lines of credit; (2) assets pledged as collateral for the debt; and (3) terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB 88 will be effective for the District beginning with its year ending June 30, 2019. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period.

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the District beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 3 – Estimates:

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

Note 4 – Cash and Cash Equivalents:

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At June 30, 2019, the carrying amount of the Board's cash and cash equivalents was \$6,437,693 and the bank balances totaled \$6,849,779 including school activity. Of the total bank balances, up to \$250,000 was secured by Federal Depository insurance and the remaining amount was covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risks are as follows:

- Category 1 - Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name.
- Category 2 - Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Deposits, which are not collateralized or insured.

Based on these three levels of risk, the District's uninsured cash deposits are classified as Category 2.

General Fund cash and cash equivalents at June 30, 2019, consisted of an interest bearing checking account.

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

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 5 – Capital Assets:

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

Governmental Activities	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Land	\$ 136,284	\$ -	\$ -	\$ 136,284
Buildings and Improvements	45,003,864	370,116	-	45,373,980
Infrastructure	430,756	28,988	-	459,744
Technology and Equipment	4,539,647	25,891	-	4,565,538
Machinery and Equipment	637,349	100,617	-	737,966
Vehicles	3,847,204	310,065	-	4,157,269
Total	<u>\$ 54,595,104</u>	<u>\$ 835,677</u>	<u>\$ -</u>	<u>\$ 55,430,781</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	\$ 20,506,735	\$ 1,105,865	\$ -	\$ 21,612,600
Infrastructure	232,875	22,746	-	255,621
Technology and Equipment	4,118,246	156,275	-	4,274,521
Machinery and Equipment	477,030	27,133	-	504,163
Vehicles	2,901,860	166,965	-	3,068,825
Total	<u>\$ 28,236,746</u>	<u>\$ 1,478,984</u>	<u>\$ -</u>	<u>\$ 29,715,730</u>
Governmental Activities Capital				
Assets - Net	<u>\$ 26,358,358</u>	<u>\$ (643,307)</u>	<u>\$ -</u>	<u>\$ 25,715,051</u>
Business-Type				
Activities				
Food Service Equipment	\$ 1,053,309	\$ 16,000	\$ -	\$ 1,069,309
Less: Accumulated Depreciation	<u>820,878</u>	<u>29,776</u>	<u>-</u>	<u>850,654</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 232,431</u>	<u>\$ (13,776)</u>	<u>\$ -</u>	<u>\$ 218,655</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,182,843
Student support	116
District administration	42,139
School administration	5,160
Business support services	1,624
Plant operation and maintenance	102,521
Student transportation	144,581
Total	<u>\$ 1,478,984</u>

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 6 – Debt Obligations:

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Greenup County School District Financial Corporation and the Kentucky School Construction Commission aggregating \$21,844,050.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2002	\$ 3,395,000	1.35% to 4.00%
2008	2,355,000	2.40% to 3.50%
2010	1,630,000	1.00% to 4.20%
2010-REF	4,750,000	0.60% to 2.55%
2011-REF	2,325,000	1.10% to 2.50%
2012K	479,050	2.00%
2013E	1,380,000	1.85%
2013	785,000	1.85% to 4.25%
2016-REF	4,745,000	0.85% to 2.30%
	<u>\$ 21,844,050</u>	

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Greenup County School District Financial Corporation and the Kentucky School Construction Commission to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

KSBIT Payable

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District in 2013 that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of Insurance using the novation option. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will continue to make claims payments. Under the novation method, the current District’s liability is \$86,292.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 6 – Debt Obligations (Cont.):

The changes in the general long-term debt for the year ended June 30, 2019, were as follows:

	Balance June 30, 2018	New Issues	Retirement	Balance June 30, 2019
General obligation bonds -				
\$22,409,050 originally issued with interest rates ranging from 0.60% to 4.25%	\$ 10,960,000	\$ -	\$ 1,210,000	\$ 9,750,000
KISTA Loans	1,594,864	298,346	151,476	1,741,734
KSBIT Assessment Payable	129,439	-	43,147	86,292
Accumulated Sick Leave	1,050,287	-	101,727	948,560
Total	<u>\$ 13,734,590</u>	<u>\$ 298,346</u>	<u>\$ 1,506,350</u>	<u>\$ 12,526,586</u>

The District has 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 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	Greenup County School District		Kentucky School Facilities Construction Commission		Total Principal
	Principal	Interest	Principal	Interest	
2020	\$ 1,176,632	\$ 247,804	\$ 244,747	\$ 62,371	\$ 1,421,379
2021	1,175,405	219,007	249,985	56,019	1,425,390
2022	1,197,986	185,909	191,671	49,357	1,389,657
2023	1,218,187	158,838	196,865	44,163	1,415,052
2024	1,255,557	130,958	190,337	38,944	1,445,894
2025-2029	3,289,095	242,149	665,267	113,298	3,954,362
2030-2034	176,598	11,868	263,402	19,419	440,000
	<u>\$ 9,489,460</u>	<u>\$ 1,196,533</u>	<u>\$ 2,002,274</u>	<u>\$ 383,571</u>	<u>\$ 11,491,734</u>

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 7 – Accumulated Unpaid Sick Leave Benefits:

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements.

Note 8 – Interfund Transfers:

Interfund transfers at June 30, 2019, consisted of the following:

Type	From	To	Purpose	Amount
Operating	General	Special Revenue	Technology	\$ 52,475
Debt Service	Capital Projects	Debt Service	Bond Payments	1,109,832
Operating	Special Revenue	Special Revenue	Inter-Grant	232,890
Operating	Capital Projects	General	KISTA Bus Payment	182,026
Operating	General	Food Service	Lunch Accounts	3,360

Note 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/>.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 9 – Retirement Plans (Cont.):

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	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	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. 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. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. 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 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

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 9 – Retirement Plans (Cont.):

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.

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

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 9 – Retirement Plans (Cont.):

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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:

	KTRS	CERS
District's proportionate share of the net pension liability	\$ -	\$ 10,123,426
Commonwealth's proportionate share of the net pension liability associated with the District	49,803,330	-
	\$ 49,803,330	\$ 10,123,426

The net pension liability for each plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability 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 0.166222% percent.

For the year ended June 30, 2019, the District recognized pension expense of \$1,621,603 related to CERS and \$3,608,628 related to KTRS. The District also recognized revenue of \$3,608,628 for KTRS pension support provided by the Commonwealth.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 9 – Retirement Plans (Cont.):

At June 30, 2019, the District reported its proportionate share of CERS 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	\$ 330,198	\$ 148,186
Changes of assumptions	989,353	-
Net difference between projected and actual earnings on pension plan investments	470,747	592,132
Changes in proportion and differences between District contributions and proportionate share of contributions	20,460	63,907
District contributions subsequent to the measurement date	<u>644,615</u>	<u>-</u>
 Total	 <u>\$ 2,455,373</u>	 <u>\$ 804,225</u>

The \$644,615 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>Year ending June 30:</u>
2020	\$ 809,024
2021	380,586
2022	(128,744)
2023	(54,334)
2024	<u>-</u>
Total	<u>\$ 1,006,532</u>

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

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.50%-7.30%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 9 – Retirement Plans (Cont.):

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 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. There is some margin on the current mortality tables for possible improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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 AA to 2020 with a setback of 1 year for females. The actuarial assumptions used in the June 30, 2017 valuation were based on results of an actuarial experience study for the period July 1, 2010-June 30, 2015 adopted by the Board on September 19, 2016.

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. 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	35.0%	5.46%
Combined Fixed Income	24.0%	6.71%
Global Bonds	4.0%	3.00%
Real Return*	10.0%	7.00%
Real Estate	5.0%	9.00%
Absolute Return**	10.0%	5.00%
Private Equity	10.0%	6.50%
Cash Equivalent	2.0%	1.50%
	100%	

*Diversified inflation strategies

**Diversified hedge funds

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 9 – Retirement Plans (Cont.):

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.20%
Non-US Equity	22.0%	5.20%
Fixed Income	15.0%	1.20%
Additional Categories	8.0%	3.30%
Real Estate	6.0%	3.80%
Private Equity	7.0%	6.30%
Cash	2.0%	0.80%
	100%	

Discount rate-For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

Discount rate-For KTRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates, adjusted by 95% for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 9 – Retirement Plans (Cont.):

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

<u>CERS</u>	<u>5.25%</u>	<u>6.25%</u>	<u>7.25%</u>
District's proportionate share of net pension liability	\$ 12,744,345	\$ 10,123,426	\$ 7,927,555
 <u>KTRS</u>	 <u>6.50%</u>	 <u>7.50%</u>	 <u>8.50%</u>
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

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

Note 10 – Other Postemployment Benefit (OPEB) Plans:

Kentucky Teachers Retirement System OPEB Plans

Teaching-certified employees of the District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)-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). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained <https://trs.ky.gov/financial-reports-information/#CAFR>.

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

Medical Insurance Plan

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

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Medical Insurance Plan

At June 30, 2019, the District reported a liability of \$6,814,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.365618% percent.

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

District's proportionate share of the KTRS net OPEB liability	\$	6,814,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		5,872,000
		\$ 12,686,000

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

For the year ended June 30, 2019, the District recognized OPEB expense of \$304,964 and revenue of \$304,964 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 349,000
Changes of assumptions	94,000	-
Net difference between projected and actual earnings on investments	-	28,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	121,000
District contributions subsequent to the measurement date	<u>358,544</u>	<u>-</u>
 Total	 <u>\$ 452,544</u>	 <u>\$ 498,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$358,544 is resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ending June 30:</u>	
2020	\$ (79,000)
2021	(79,000)
2022	(79,000)
2023	(67,000)
2024	(69,000)
Thereafter	<u>(31,000)</u>
Total	\$ (404,000)

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50%-7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75%, for FY2018 decreasing to an ultimate rate of 5.00% by FY2024
Ages 65 and Older	5.75%, for FY2018 decreasing to an ultimate rate of 5.00% by FY2021
Medicare Part B Premiums	0.00% for FY2018 with an ultimate rate of 5.00% by FY2030
Municipal Bond Index Rate	3.89%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.60%
Fixed Income	9.0%	1.20%
Real Estate	5.5%	3.80%
Private Equity	6.5%	6.30%
Other Additional Categories*	20.0%	3.30%
Cash (LIBOR)	1.0%	0.90%
	100%	

**Includes hedge funds, high yield, and non-US developed bonds*

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

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

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

	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	\$ 14,876,000	\$ 12,686,000	\$ 10,862,000

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates - The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 10,519,000	\$ 12,686,000	\$ 15,359,000

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

Life Insurance Plan

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

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

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

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Life Insurance Plan

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

District's proportionate share of net OPEB liability	\$	-
Commonwealth's proportionate share of the net OPEB liability associated with the District		101,000
		101,000
	\$	101,000

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2018, the District's proportion was 0.357271%.

For the year ended June 30, 2019, the District recognized OPEB expense of \$304,964 and revenue of \$304,964 for support provided by the State.

Actuarial assumptions - The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50%-7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.20%
International Equity	23.0%	5.20%
Fixed Income	18.0%	1.20%
Real Estate	6.0%	3.80%
Private Equity	5.0%	6.30%
Other Additional Categories*	6.0%	3.30%
Cash (LIBOR)	2.0%	0.90%
	100%	

**Modeled of 50% High Yield and 50% Bank Loans*

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	6.50%	7.50%	8.50%
District's proportionate share of net OPEB liability	\$ 122,000	\$ 101,000	\$ 74,000

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

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

County Employees Retirement Systems OPEB Plan

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

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

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

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

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2018, CERS allocated 4.70% of the 19.18% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2018, the District contributed \$197,450 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

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

At June 30, 2019, the District reported a liability of \$2,951,132 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30 2018, the District's proportion was 0.166216%.

The amount recognized by the District as its proportionate share of the OPEB liability is as follows:

District's proportionate share of the CERS net OPEB liability	\$	2,951,132
Commonwealth's proportionate share of the CERS net OPEB liability associated with the District		-
		\$ 2,951,132

For the year ended June 30, 2019, the District recognized OPEB expense of \$228,852, including an implicit subsidy of \$35,221. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 343,915
Changes of assumptions	589,385	6,818
Net difference between projected and actual earnings on investments	-	203,275
Changes in proportion and differences between District contributions and proportionate share of contributions	-	42,759
District contributions subsequent to the measurement date	209,043	-
Total	\$ 798,428	\$ 596,767

Of the total amount reported as deferred outflows of resources related to OPEB, \$209,043 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

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

	<u>Year ending June 30:</u>
2020	\$ 2,151
2021	2,151
2022	2,151
2023	41,630
2024	(33,976)
Thereafter	<u>(21,488)</u>
Total	\$ (7,381)

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed 28 years
Remaining Amortization Period	5-year smoothed market
Asset Valuation Method	20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years
Payroll Growth	4.00%
Inflation Salary Increase	4.00%, average
Investment Rate of Return	7.50%

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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

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

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity*	17.5%	5.00%
International Equity	17.5%	7.00%
Global Bonds	4.0%	3.00%
Credit Fixed	24.0%	7.00%
Real Estate*	5.0%	9.00%
Private Equity	10.0%	6.50%
Absolute Return	10.0%	5.00%
Real Return*	10.0%	7.00%
Cash (LIBOR)	2.0%	1.50%
	<u>100%</u>	

**Long-term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

Discount rate - The discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return 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. However, the cost associated with the implicit employer subsidy was not 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 trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 10 – Other Postemployment Benefit (OPEB) Plans (Cont.):

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 -percentage-point lower or 1 -percentage-point higher than the current rate:

	<u>4.85%</u>	<u>5.85%</u>	<u>6.85%</u>
District's proportionate share of net OPEB liability	\$ 3,833,047	\$ 2,951,132	\$ 2,199,901

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ 2,197,147	\$ 2,951,132	\$ 3,839,863

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

Note 11 – 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 the grantors review indicates that the funds have not been used for the intended purpose, the grantors' may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant program is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 12 – Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District carries their insurance with Kentucky Employers' Mutual Insurance (KEMI), which is located in Lexington Kentucky. KEMI is a mutual insurance company regulated by the Kentucky Department of Insurance. The District pays annual premiums for their coverage. The premium for workers' compensation is based on a formula. The District is assigned a classification code for their industry and each classification code has a corresponding rate. Multiplying the rate times the estimated payroll for operations then dividing by 100 will give the base premium, in some cases, modifiers may also be added, based on eligibility, which may increase or decrease the premium. In other cases, additional coverage may be requested that increase the premium.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 – COBRA:

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

Note 14 – On-Behalf Payments:

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

Plan/Description	Amount
KTRS - Pension	\$ 3,608,628
KTRS - OPEB	304,964
Health and Life Insurance	3,000,437
Technology	87,178
Debt Service	308,082
Total On-Behalf	\$ 7,309,289

These amounts are included the Government-wide Statement of Activities as State Revenue and an expense allocated to the different functions in the same proportion as full-time employees.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 15 – Fund Balance:

The detailed components of the various fund balance categories as of June 30, 2019, are as follows:

	General Current Expense Fund	Special Revenue Fund	District Activity Fund	Capital Outlay and Building Fund	Construction Fund	Total Governmental Funds
Restricted:						
Accrued Sick Leave	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ 250,000
Other	-	-	-	8,009	30,501	38,510
SFCC Escrow - Current	-	-	-	22,851	-	22,851
Fund Balance Committed to:						
District Activity Funds	-	-	40,953	-	-	40,953
Assigned to:						
Site Based Carryforward	112,235	18,661	-	-	-	130,896
Unassigned	4,801,677	(24,211)	-	-	-	4,777,466
Total Fund Balance	<u>\$ 5,163,912</u>	<u>\$ (5,550)</u>	<u>\$ 40,953</u>	<u>\$ 30,860</u>	<u>\$ 30,501</u>	<u>\$ 5,260,676</u>

A deficit unassigned fund balance of \$5,550 exists in the Special Revenue Fund. The deficit results from the encumbrances of funds without accruing intergovernmental revenues for reimbursement of expenditures. The District accrues intergovernmental revenues only when all eligibility requirements have been met, including the requirement that allowable costs must have been actually incurred.

Note 16 – Encumbrances:

The District had \$18,661 in encumbrances as of June 30, 2019. These are reported in the Special Revenue Fund, as Assigned to Site Based Carryforward.

Note 17 – Commitments, Contingencies, and Subsequent Events:

All commitments, contingencies, and subsequent events have been evaluated by management and have been properly disclosed up through November 13, 2019, the date of this report.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES - BUDGET
AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 6,395,000	\$ 6,474,000	\$ 7,267,416	\$ 793,416
Interest Income	25,000	25,000	116,757	91,757
State Sources	16,326,712	16,326,712	19,098,095	2,771,383
Federal Sources	35,000	35,000	37,464	2,464
Other Local Sources	56,500	-	143,655	143,655
Total Revenues	<u>\$ 22,838,212</u>	<u>\$ 22,860,712</u>	<u>\$ 26,663,387</u>	<u>\$ 3,802,675</u>
Expenditures:				
Instruction	\$ 10,629,937	\$ 10,667,337	\$ 13,307,072	\$ (2,639,735)
Support Services:				
Students	1,876,256	1,876,256	2,307,884	(431,628)
Instructional Staff	1,336,594	1,348,729	1,526,828	(178,099)
District Administration	1,431,529	1,431,529	1,084,492	347,037
School Administration	2,157,774	2,144,701	2,216,371	(71,670)
Business and Other Support Services	629,059	629,059	700,272	(71,213)
Operation and Maintenance of Plant	3,474,109	3,474,109	3,145,912	328,197
Student Transportation	2,082,928	2,082,928	1,788,723	294,205
Community Services	-	-	-	-
Debt Service	276,526	276,526	276,525	1
Total Expenditures	<u>\$ 23,894,712</u>	<u>\$ 23,931,174</u>	<u>\$ 26,354,079</u>	<u>\$ (2,422,905)</u>
Other Financing Sources (Uses):				
Transfers In	\$ -	\$ 2,500	\$ 182,026	\$ 179,526
Transfers Out	50,000	(50,000)	(55,835)	(5,835)
Total Other Financing Sources (Uses)	<u>\$ 50,000</u>	<u>\$ (47,500)</u>	<u>\$ 126,191</u>	<u>\$ 173,691</u>
Net Change In Fund Balance	<u>\$ (1,006,500)</u>	<u>\$ (1,117,962)</u>	<u>\$ 435,499</u>	<u>\$ 1,553,461</u>
Fund Balance, June 30, 2018	\$ 2,560,500	\$ 4,728,413	\$ 4,728,413	\$ -
Fund Balance, June 30, 2019	<u>\$ 1,554,000</u>	<u>\$ 3,610,451</u>	<u>\$ 5,163,912</u>	<u>\$ 1,553,461</u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Interest Income	-	-	-	-
State Sources	935,822	959,824	1,061,953	102,129
Federal Sources	1,709,654	1,693,617	1,982,574	288,957
Other Local Sources	-	13,000	12,291	(709)
Total Revenues	<u>\$ 2,645,476</u>	<u>\$ 2,666,441</u>	<u>\$ 3,056,818</u>	<u>\$ 390,377</u>
Expenditures:				
Instruction	\$ 2,215,270	\$ 2,308,207	\$ 2,588,583	\$ (280,376)
Support Services				
Students	63,573	66,194	84,556	(18,362)
Instructional Staff	37,000	38,486	51,744	(13,258)
District Administration	-	-	-	-
School Administration	-	-	-	-
Business and Other Support Services	-	-	-	-
Operation and Maintenance of Plant	95,820	78,736	66,840	11,896
Student Transportation	-	10,127	2,380	7,747
Community Services	283,813	316,188	320,740	(4,552)
Total Expenditures	<u>\$ 2,695,476</u>	<u>\$ 2,817,938</u>	<u>\$ 3,114,843</u>	<u>\$ (296,905)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>\$ (50,000)</u>	<u>\$ (151,497)</u>	<u>\$ (58,025)</u>	<u>\$ 687,282</u>
Other Financing Sources (Uses):				
Transfers In	\$ 140,959	\$ 151,497	\$ 285,365	\$ (133,868)
Transfers Out	-	-	(232,890)	232,890
Total Other Financing Sources (Uses)	<u>\$ 140,959</u>	<u>\$ 151,497</u>	<u>\$ 52,475</u>	<u>\$ 99,022</u>
Net Change In Fund Balance	<u>\$ 90,959</u>	<u>\$ -</u>	<u>\$ (5,550)</u>	<u>\$ 5,550</u>
Fund Balance, June 30, 2018	\$ -	\$ -	\$ -	\$ -
Fund Balance, June 30, 2019	<u><u>\$ 90,959</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (5,550)</u></u>	<u><u>\$ 5,550</u></u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Reported Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
<u>COUNTY EMPLOYEES RETIREMENT SYSTEM:</u>					
District's proportion of the net pension liability	0.166222%	0.167995%	0.168460%	0.163970%	0.168008%
District's proportionate share of the net pension liability	\$ 10,123,426	\$ 9,833,264	\$ 8,249,204	\$ 7,049,916	\$ 5,451,000
District's covered-employee payroll	\$ 3,974,196	\$ 4,201,879	\$ 4,159,246	\$ 4,068,338	\$ 3,870,696
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	254.7289%	234.0206%	198.3341%	173.2874%	140.8300%
Plan fiduciary net position as a percentage of the total pension liability	53.540%	53.300%	55.500%	59.970%	66.800%
<u>KENTUCKY TEACHER'S RETIREMENT SYSTEM</u>					
District's proportion of the net pension liability	0.3803%	0.3792%	0.3726%	0.3643%	0.3650%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 49,803,330	\$ 102,329,629	\$ 109,925,662	\$ 84,773,477	\$ 74,703,628
Total	<u>\$ 49,803,330</u>	<u>\$ 102,329,629</u>	<u>\$ 109,925,662</u>	<u>\$ 84,773,477</u>	<u>\$ 74,703,628</u>
District's covered-employee payroll	\$ 11,951,482	\$ 11,889,156	\$ 12,175,364	\$ 11,838,464	\$ 11,396,368
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	39.830%	39.830%	35.220%	42.500%	45.590%

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

GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2019	2018	2017	2016	2015	2014
<u>COUNTY EMPLOYEES RETIREMENT SYSTEM:</u>						
Contractually required contribution	\$ 644,615	\$ 608,432	\$ 580,215	\$ 505,287	\$ 493,514	\$ 529,251
Contributions in relation to the contractually required contribution	\$ 644,615	\$ 608,432	\$ 580,215	\$ 505,287	\$ 493,514	\$ 529,251
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 3,974,196	\$ 4,201,879	\$ 4,159,246	\$ 4,068,338	\$ 3,870,696	\$ 3,851,898
District's contributions as a percentage of its covered-employee payroll	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
<u>KENTUCKY TEACHER'S RETIREMENT SYSTEM</u>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,951,482	\$ 11,889,156	\$ 12,175,364	\$ 11,838,464	\$ 11,396,368	\$ 11,384,328
District's contributions as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

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

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

Note 1 – Changes in Assumptions:

CERS

There were no changes of assumptions.

KTRS

In the 2011 valuation and later, the expectation of retired life mortality was changed to RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Note 2 – Method and Assumptions Used in Calculations of Actuarially Determined Contributions:

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2016. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.0% average, including inflation
Investment Rate of Return	7.5%, net of pension plan investments expense, including inflation

KTRS

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

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, open
Remaining Amortization Period	23 years
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increase	3.5% to 7.2%, including inflation
Investment Rate of Return	8.0%, net of pension plan investment expense, including inflation

Note 3 – Change of Benefits:

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

GREENUP COUNTY SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE
 SHARE OF THE NET OPEB LIABILITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Reporting Fiscal Year (Measurement Date)	
	2019 (2018)	2018 (2017)
<u>COUNTY EMPLOYEES RETIREMENT SYSTEM- INSURANCE FUND:</u>		
District's proportion of the net OPEB liability	0.166216%	0.167995%
District's proportionate share of the net OPEB liability	\$ 2,951,132	\$ 3,377,274
District's covered-employee payroll	\$ 3,974,196	\$ 4,201,879
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	74.257%	80.375%
Plan fiduciary net position as a percentage of the total OPEB liability	57.620%	52.400%
<u>KENTUCKY TEACHER'S RETIREMENT SYSTEM- MEDICAL INSURANCE PLAN:</u>		
District's proportion of the net OPEB liability	0.365618%	0.364027%
District's proportionate share of the net OPEB liability	\$ 6,814,000	\$ 7,144,000
State's proportionate share of the net OPEB liability associated with the District	\$ 5,872,000	\$ 5,836,000
Total	<u>\$ 12,686,000</u>	<u>\$ 12,980,000</u>
District's covered-employee payroll	\$ 11,951,482	\$ 11,442,462
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	57.014%	62.434%
Plan fiduciary net position as a percentage of the total OPEB liability	25.500%	21.180%

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

GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY (CONCLUDED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Reporting Fiscal Year (Measurement Date)	
	2019 (2018)	2018 (2017)
<u>KENTUCKY TEACHER'S RETIREMENT SYSTEM-</u>		
<u>LIFE INSURANCE PLAN:</u>		
District's proportion of the net OPEB liability	0.357271%	0.355782%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	\$ 101,000	\$ 78,000
Total	<u>\$ 101,000</u>	<u>\$ 78,000</u>
District's covered-employee payroll	\$ 11,951,482	\$ 11,889,156
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	75.000%	79.990%

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

GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2019	2018	2017
<u>COUNTY EMPLOYEES RETIREMENT SYSTEM</u>			
<u>INSURANCE FUND:</u>			
Contractually required contribution	\$ 209,043	\$ 197,450	\$ 196,732
Contributions in relation to the contractually required contribution	\$ 209,043	\$ 197,450	\$ 196,732
Contribution deficiency (excess)		-	-
District's covered-employee payroll	\$ 3,974,196	\$ 4,201,879	\$ 4,159,246
District's contributions as a percentage of its covered-employee payroll	5.26%	4.70%	4.73%
<u>KENTUCKY TEACHER'S RETIREMENT SYSTEM -</u>			
<u>MEDICAL INSURANCE PLAN:</u>			
Contractually required contribution	\$ 358,544	\$ 356,675	\$ 343,275
Contributions in relation to the contractually required contribution	\$ 358,544	\$ 356,675	\$ 343,275
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 11,951,482	\$ 11,889,156	\$ 11,442,462
District's contributions as a percentage of its covered-employee payroll	3.00%	3.00%	3.00%

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

GREENUP COUNTY SCHOOL DISTRICT
 SCHEDULE OF OPEB CONTRIBUTIONS (CONCLUDED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2019	2018	2017
<u>KENTUCKY TEACHER'S RETIREMENT SYSTEM -</u>			
<u>LIFE INSURANCE PLAN:</u>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,951,482	\$ 11,889,156	\$ 11,442,462
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OPEB
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1 – Changes in Assumptions:

CERS Insurance Fund

There were no changes of assumptions

KTRS Insurance Fund

Medical Insurance Plan- There were no changes of assumptions.

Life Insurance Plan - There were no changes of assumptions.

Note 2 – Method and Assumptions Used in Calculations of Actuarially Determined Contributions:

CERS Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	28 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post-65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OPEB
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 2 – Method and Assumptions Used in Calculations of Actuarially Determined Contributions (Cont.):

KTRS Insurance Fund

Medical Insurance Plan - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Amortization Period	30 years, Open
Asset Valuation Method	Five-year, smoothed value
Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Salary Increases, including	
Wage Inflation	3.50% - 7.20%
Discount Rate	8.00%
Health Care Cost Trends	
Under 65	7.75% for FY2017 decreasing to an ultimate rate of 5.00% by FY2023
Ages 65 and older	5.75% for FY2017 decreasing to an ultimate rate of 5.00% by FY2020
Medicare Part B Premiums	1.02% for FY2017 with an ultimate rate of 5.00% by FY2029
Under Age 65 Claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OPEB
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 2 – Method and Assumptions Used in Calculations of Actuarially Determined Contributions (Cont.):

Life Insurance Plan - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Amortization Period	30 years, Open
Asset Valuation Method	Market Value
Inflation	3.50%
Real Wage Growth	0.50%
Wage Inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

Note 3 – Changes in Benefits:

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

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

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	District Activity Funds	Total Non-Major Governmental Funds
Assets:						
Cash and Cash Equivalents	\$ 10,875	\$ 19,985	\$ 30,501	\$ -	\$ 48,989	\$ 110,350
Total Assets	<u>\$ 10,875</u>	<u>\$ 19,985</u>	<u>\$ 30,501</u>	<u>\$ -</u>	<u>\$ 48,989</u>	<u>\$ 110,350</u>
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 8,036	\$ 8,036
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,036</u>	<u>\$ 8,036</u>
Fund Balances:						
Restricted - Other	\$ 10,875	\$ 8,009	\$ 30,501	\$ -	\$ -	\$ 49,385
Restricted - SFCC Escrow-Current	-	11,976	-	-	-	11,976
Committed - District Activity Funds	-	-	-	-	40,953	40,953
Assigned - Capital Expenditures	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>10,875</u>	<u>19,985</u>	<u>30,501</u>	<u>-</u>	<u>40,953</u>	<u>102,314</u>
Total Liabilities and Fund Balances	<u>\$ 10,875</u>	<u>\$ 19,985</u>	<u>\$ 30,501</u>	<u>\$ -</u>	<u>\$ 48,989</u>	<u>\$ 110,350</u>

See Notes to the Basic Financial Statements.

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

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	District Activity Funds	Total Non-Major Governmental Funds
Revenues:						
Taxes	\$ -	\$ 470,316	\$ -	\$ -	\$ -	\$ 470,316
Interest Income	-	-	199	-	-	199
Intergovernmental - State	249,876	571,666	-	308,082	-	1,129,624
Other Local Revenues	-	-	-	-	73,219	73,219
Total Revenues	<u>\$ 249,876</u>	<u>\$ 1,041,982</u>	<u>\$ 199</u>	<u>\$ 308,082</u>	<u>\$ 73,219</u>	<u>\$ 1,673,358</u>
Expenditures:						
Instruction	\$ -	\$ -	\$ -	\$ -	\$ 55,601	\$ 55,601
Instructional Staff	-	-	-	-	4,404	4,404
Operation and Maintenance of Plant	-	-	-	-	4,834	4,834
Student Transportation	-	-	-	-	-	-
Facility Acquisition and Construction	-	-	-	-	-	-
Debt Service	-	-	-	1,417,914	-	1,417,914
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,417,914</u>	<u>\$ 64,839</u>	<u>\$ 1,482,753</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 249,876</u>	<u>\$ 1,041,982</u>	<u>\$ 199</u>	<u>\$ (1,109,832)</u>	<u>\$ 8,380</u>	<u>\$ 190,605</u>
Other Financing Sources (Uses):						
Operating Transfers In	-	-	-	1,109,832	-	1,109,832
Operating Transfers Out	(249,876)	(1,041,982)	-	-	-	(1,291,858)
Total Other Financing (Uses) Sources	<u>\$ (249,876)</u>	<u>\$ (1,041,982)</u>	<u>\$ -</u>	<u>\$ 1,109,832</u>	<u>\$ -</u>	<u>\$ (182,026)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199</u>	<u>\$ -</u>	<u>\$ 8,380</u>	<u>\$ 8,579</u>
Fund Balances, June 30, 2018	\$ 10,875	\$ 19,985	\$ 30,302	\$ -	\$ 32,573	\$ 93,735
Fund Balances, June 30, 2019	<u>\$ 10,875</u>	<u>\$ 19,985</u>	<u>\$ 30,501</u>	<u>\$ -</u>	<u>\$ 40,953</u>	<u>\$ 102,314</u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - SCHOOL ACTIVITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Cash Balance June 30, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Transfers	Deposits Held In Custody For Students June 30, 2019
	\$			\$	\$	\$
Greenup County High School	107,105	230,173	225,189	112,089	-	112,089
McKell Middle School	5,206	85,737	86,124	4,819	(180)	4,639
Wurtland Middle School	21,926	43,471	42,479	22,918	180	23,098
Argilite Elementary	8,629	49,532	55,784	2,377	800	3,177
Greysbranch Elementary	12,993	55,652	52,016	16,629	-	16,629
McKell Elementary	31,249	68,887	85,248	14,888	-	14,888
Wurtland Elementary	2,505	47,026	44,408	5,123	(800)	4,323
GC Family	68	-	-	68	-	68
Special Education - CBI	1,221	404	1,437	188	-	188
Special Olympics	790	1,044	1,456	378	-	378
Cross Country - Middle School	60	1,837	1,897	-	-	-
Football - Middle School	499	2,251	2,565	185	-	185
Middle School Soccer	4,640	3,384	1,760	6,264	-	6,264
Middle School Baseball	1,026	546	610	962	(130)	832
Middle School Softball	-	1,295	1,425	(130)	130	-
21st Century Swim Club	525	-	-	525	-	525
21st Century Funds	503	-	-	503	-	503
McKell Preschool	-	2,882	2,396	486	-	486
Preschool	375	292	150	517	-	517
Total	\$ 199,320	594,413	604,944	\$ 188,789	\$ -	\$ 188,789

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS - GREENUP COUNTY HIGH SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Cash Balance June 30, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable (Payable)	Total
General Account	\$ 126	\$ 162	\$ 144	\$ 144	\$ -	\$ 144
Robotics	-	2,000	1,099	901	-	901
Library	197	-	-	197	-	197
Natio9nal Honor Society	40	-	-	40	-	40
CMPS	14	-	-	14	-	14
CMPS Christmas Project	343	-	199	144	-	144
Beta	-	420	384	36	-	36
Drama	144	-	-	144	-	144
Textbook Fees	-	600	367	233	-	233
ROTC	18,362	10,909	24,496	4,775	(20)	4,755
Art	2,615	-	1,550	1,065	-	1,065
Prom Committee	5	9,404	3,483	5,926	-	5,926
Advance Placement Tests	1,265	915	900	1,280	-	1,280
Seniors	1,640	2,230	3,389	481	-	481
Student Government	4	-	-	4	-	4
Graphics	508	5,394	5,292	610	180	790
Spanish Honor Society	5	-	-	5	-	5
Bowling Field Trip Account	-	108	-	108	-	108
Yearbook	8,045	5,805	9,193	4,657	-	4,657
After Prom	1,100	3,555	3,856	799	-	799
Choir	481	-	-	481	-	481
Food Bank	589	-	-	589	-	589
Scholarship	3,930	3,000	3,500	3,430	-	3,430
Earl Belford	101	-	-	101	-	101
GC Employee's Scholarship	-	2,010	-	2,010	-	2,010
Social Studies Honor Society	1,689	301	484	1,506	-	1,506
Christian Athletes	239	-	-	239	-	239
Devin Rose Scholarship	102	-	-	102	-	102
Family Resource	246	450	268	428	(175)	253
KYA	-	6,897	6,690	207	175	382
Science Olympiad	23	-	-	23	-	23
Science Lab	200	-	-	200	-	200
Tech Conference	20	-	-	20	-	20
STLP	25	-	-	25	-	25
Success Academy	305	-	-	305	-	305
General Athletics	22,745	121,530	118,146	26,129	(20)	26,109
BOE Athletics	32,574	27,350	18,583	41,341	-	41,341
Athletic Trainer	741	215	225	731	-	731
Bass Fishing Booster	200	1,825	986	1,039	-	1,039
Cross Country Booster	1,839	100	290	1,649	-	1,649
Track Booster	1,668	-	-	1,668	-	1,668
GCHS Volleyball Booster	622	8,263	6,999	1,886	(140)	1,746
Boys/Girls Soccer Booster	2,957	5,953	3,889	5,021	-	5,021
Tennis Booster	833	-	-	833	-	833
Boys Golf Booster	500	-	-	500	-	500
Spring Band Trip	63	-	-	63	-	63
District Activity Sweep	-	10,777	10,777	-	-	-
Total	\$ 107,105	\$ 230,173	\$ 225,189	\$ 112,089	\$ -	\$ 112,089

GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor <u>Program Title</u>	<u>Federal</u> CFDA <u>Number</u>	<u>Pass-Through</u> Grantor's <u>Number</u>	<u>Program</u> or Award <u>Amount</u>	<u>Expenditures</u> <u>Paid</u>
U.S. Department of Agriculture:				
Child Nutrition Cluster:				
Passed through State Department of Education				
Cash Assistance:				
National School Snacks	10.555	7760005-19	\$ -	\$ 3,474
National School Breakfast Program	10.553	7760005-19	-	494,370
National School Lunch Program	10.555	7750002-19	-	1,202,925
Summer Food Service for Children	10.559	7740023-19	-	19,790
Total				<u>1,720,559</u>
Non-Cash Assistance:				
National School Lunch Program	10.555	057502-19	-	121,527
Total				<u>121,527</u>
Total U.S. Department of Agriculture				<u>1,842,086</u>
U.S. Department of Education:				
Passed through State Department of Education				
Title I Grants to Local Educational Agencies	84.010	3100002-18	834,414	56,782
Title I Grants to Local Educational Agencies	84.010	3100002-19	893,269	887,686
Total				<u>944,468</u>
Vocational Education Basic Grants to States	84.048	3710002-18	19,944	4,584
Vocational Education Basic Grants to States	84.048	3710002-19	19,887	9,082
				<u>13,666</u>
Special Education Cluster:				
Special Education Grants to States - IDEA, Part B	84.027	3810002-18	652,102	24,003
Special Education Grants to States - IDEA, Part B	84.027	3810002-19	661,385	580,636
Special Education - Pre-School	84.173	3800002-17	27,191	13,408
Special Education - Pre-School	84.173	3800002-18	27,191	1,032
Special Education - Pre-School	84.173	3800002-19	28,194	19,463
Total				<u>\$ 638,542</u>

See Notes to the Schedule of Expenditures of Federal Awards.

GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Expenditures Paid</u>
Education for Homeless Children and Youth Total	84.196	3990002-17	91502	\$ 6,967 <u>6,967</u>
Twenty-First Century Community Learning Centers -550D Total	84.287	3400002-17	96,000	94,962 <u>94,962</u>
Improving Teacher Quality State Grants	84.367	3230002-17	196,471	59,790
Improving Teacher Quality State Grants	84.367	3230002-18	140,967	140,967
Improving Teacher Quality State Grants	84.367	3230002-19	144,667	24,618
Total				<u>225,375</u>
Title IV - A Student Support and Academic Enrichment Grant	84.424	3420002-17	20,370	19,793
Title IV - A Student Support and Academic Enrichment Grant	84.424	3420002-18	60,212	20,914
Total				<u>40,707</u>
Total U.S. Department of Education				<u>1,964,687</u>
U.S. Department of Defense:				
Direct Program:				
Basic, Applied, and Advanced Research in Science and Engineering	12.000	504C	68,205	68,205
Basic, Applied, and Advanced Research in Science and Engineering	12.000	504D	59,387	7,222
Total U.S. Department of Defense				<u>75,427</u>
U.S. Department of Health and Human Services				
Passed Through Kentucky School Board Association				
Medical Assistance Program				
Fiscal Year 2015	93.778	110-4810	12,342	12,342
Total U.S. Department of Health and Human Services				<u>12,342</u>
Total Expenditures of Federal Awards				<u>\$ 3,894,542</u>

See Notes to the Schedule of Expenditures of Federal Awards.

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

Note 1 – Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Greenup County School District and is presented on the accrual basis of accounting. 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).

Note 2 – Food Distribution:

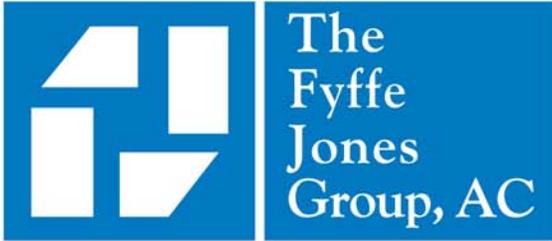
Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, commodities on hand are included on the total inventory of \$39,498.

Note 3 – Indirect Cost:

The Greenup County School District did not elect to use the 10% de minimis indirect cost rate for its federal programs.

Note 4 – Subrecipients:

The Greenup County School District did not have subrecipients during the 2019 fiscal year.



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INDEPENDENT AUDITORS' 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*

Kentucky State Committee for
School District Audits
Members of the Board of Education
Greenup County School District
Greenup, Kentucky

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 Greenup County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Greenup County School District's basic financial statements, and have issued our report thereon dated November 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Greenup County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Greenup County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Greenup County School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Greenup County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that were reported to management of the Greenup County School District in a separate letter dated November 13, 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.



THE FYFFE JONES GROUP, AC

Ashland, Kentucky
November 13, 2019



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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Greenup County School District
Greenup, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Greenup County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Greenup County School District's major federal programs for the year ended June 30, 2019. The Greenup County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Greenup County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the "Auditor Responsibilities" Section of the *Kentucky Public School Districts' Audit Contract and Requirements*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Greenup County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Greenup County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Greenup County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Greenup County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Greenup County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Greenup County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Ashland, Kentucky
November 13, 2019

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

A. Summary of Audit Results:

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements?	No

Federal Awards

Internal control over major programs	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	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 Uniform Guidance?	No

The District had the following major federal award programs with CFDA numbers in parentheses for the year ended June 30, 2019:

Title I – Grants to Local Education Agencies (84.010)

The dollar threshold used for distinguishing between Type A and Type B programs was \$750,000.

The Greenup County School District qualified as a low-risk auditee under Uniform Guidance.

B. Findings Relating to the Financial Statements Required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

No matters were reported.

C. Findings and Questioned Costs Related to Federal Awards:

No matters were reported.

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

No findings reported in the prior year.

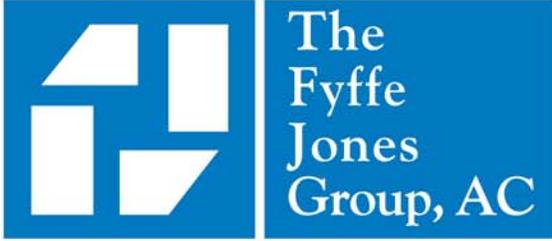
GREENUP COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Name of Contact Person:

Traysea Moresea (606) 473-5710

Corrective Action Planned:

No corrective action plan is needed in the current year.



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Kentucky State Committee for School District Audits
Members of the Board of Education
Greenup County School District
Greenup, Kentucky

In planning and performing our audit of the financial statements of Greenup County School District (the "District") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

During our audit, we did not become aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 13, 2019, on the financial statements of the District.

Our prior year management letter did not include any issues needing addressed, therefore, we did not find it necessary to review any comments or follow up on any resolutions from the previous year.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC
Ashland, Kentucky
November 13, 2019

GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Current Year Management Points

None.

Status of Prior Year Management Points

There were no management points in the prior year.