

**LINCOLN COUNTY
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2019**

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October 29, 2019

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln 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 schedules of the district's proportionate share of net pension liabilities on Pages 4 through 10, 56 through 57, and 60 through 62 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 Lincoln County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund

financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of expenditures of federal awards 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 a report dated October 29, 2019, on our consideration of Lincoln County School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lincoln County School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County School District’s internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

**LINCOLN COUNTY PUBLIC SCHOOL DISTRICT – STANFORD, KY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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

FINANCIAL HIGHLIGHTS

- The June 30, 2019 cash balance for the District was \$6.84 million, as compared with the beginning cash balance of \$2.84 million. The ending cash balance consists of General Fund of \$4,202,221, Capital Outlay of \$1,161,771, Building (FSPK) Fund of \$895,682, Construction Fund of \$106,497, Debt Service \$3,262, Food Service of \$388,366, Community Education of \$549 and District Activity of \$84,528.
- Government-wide net position decreased \$28,313 during the year. Total long-term obligations decreased by \$3,682,114.
- The General Fund had \$32.7 million in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. There were \$31.7 million in General Fund expenditures.
- General Fund revenue decreased \$289,553 from last fiscal year due to the SEEK revenue from the state. General Fund expenses decreased \$891,918 due to the costs related to a fire at Central Office on August 6, 2014.
- The financial statements reflect revenues of \$9,261,200 in on-behalf payments compared to revenues of \$9,569,986 for the previous year. On-behalf payments are revenue from the state on-behalf of District employees retirement contributions, health insurance, administration fees and technology with a like amount of expenses recorded.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

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 for these financial statements are school activity funds. The only proprietary funds are our community education and food service operations. All other activities of the district are included in the governmental funds.

Notes to the financial statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities by \$2,014,313.

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) 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.

Net Position for the period ending June 30, 2018 and June 30, 2019

A comparison of June 30, 2018 and June 30, 2019 government wide net position is as follows:

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Current and Other Assets	\$ 6,870,437	\$ 7,617,778	\$ 407,419	\$ 464,276	\$ 7,277,856	\$ 8,082,054
Capital Assets	43,890,596	42,148,232	303,439	269,134	44,194,035	42,417,366
Total Assets	50,761,033	49,766,010	710,858	733,410	51,471,891	50,499,420
Deferred Outflows	6,128,005	4,958,299	668,433	443,535	6,796,438	5,401,834
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>56,889,038</u>	<u>54,724,309</u>	<u>1,379,291</u>	<u>1,176,945</u>	<u>58,268,329</u>	<u>55,901,254</u>
Current Liabilities	3,276,556	3,202,016	23,551	12,588	3,300,107	3,214,604
Non-Current Liabilities	48,542,101	45,021,254	2,754,616	2,607,197	51,296,717	47,628,451
Total Liabilities	<u>51,818,657</u>	<u>48,223,270</u>	<u>2,778,167</u>	<u>2,619,785</u>	<u>54,596,824</u>	<u>50,843,055</u>
Deferred Inflows	1,451,352	2,743,383	177,527	300,503	1,628,879	3,043,886
Net Position						
Investment in capital assets (net of related debt)	18,726,468	18,948,210	303,439	269,134	19,029,907	19,217,344
Restricted	2,037,090	2,251,037	(1,879,842)	(2,012,477)	157,248	238,560
Unrestricted	<u>(17,144,529)</u>	<u>(17,441,591)</u>	<u>-</u>	<u>-</u>	<u>(17,144,529)</u>	<u>(17,441,591)</u>
Total Net Position	<u>\$ 3,619,029</u>	<u>\$ 3,757,656</u>	<u>\$(1,576,403)</u>	<u>\$(1,743,343)</u>	<u>\$ 2,042,626</u>	<u>\$ 2,014,313</u>

Statement of Activities

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
REVENUES						
Program revenues						
Charges for services	\$ 6,005	\$ 13,735	\$ 124,893	\$ 91,722	\$ 130,898	\$ 105,457
Operating grants and contributions	7,506,410	7,128,457	2,935,096	2,985,691	10,441,506	10,114,148
Capital grants	83,910	73,100			83,910	73,100
General revenues						
Property taxes	5,209,606	5,408,448			5,209,606	5,408,448
Motor vehicle taxes	893,707	939,105			893,707	939,105
Utility Taxes	1,164,080	1,056,563			1,164,080	1,056,563
Other taxes	108,166	139,906			108,166	139,906
Investment earnings	30,612	46,055	2,299	1,878	32,911	47,933
State and formula grants	27,499,190	27,116,763			27,499,190	27,116,763
Miscellaneous	2,819,802	317,028	(144,811)	(135,987)	2,674,991	181,041
Total revenues	<u>45,321,488</u>	<u>42,239,160</u>	<u>2,917,477</u>	<u>2,943,304</u>	<u>48,238,965</u>	<u>45,182,464</u>
EXPENSES						
Program Activities						
Instructional	29,232,694	27,165,214			29,319,915	27,165,214
Student support	1,396,641	1,381,224			1,398,498	1,381,224
Instructional staff Support	1,581,332	1,407,548			1,582,669	1,407,548
District administrative support	722,362	850,106			722,597	850,106
School administrative support	2,378,966	2,377,789			2,382,588	2,377,789
Business support	889,291	906,432			890,575	906,432
Plant operations and maintenance	4,280,849	4,254,476			4,283,281	4,254,476
Student transportation	2,562,933	2,567,605			2,566,403	2,567,605
Community service activities	457,723	475,698			457,723	475,698
Debt Service	765,384	714,441			765,384	714,441
Other	2,093	-			2,093	-
Business-type Activities						
Food service			3,472,326	3,110,233	3,481,027	3,110,233
Community education			-	11	-	11
Total operating expenses	<u>44,270,268</u>	<u>42,100,533</u>	<u>3,472,326</u>	<u>3,110,244</u>	<u>47,852,753</u>	<u>45,210,777</u>
Revenue Over (Under) Expend.	<u>\$ 1,051,220</u>	<u>\$ 138,627</u>	<u>\$ (554,849)</u>	<u>\$ (166,940)</u>	<u>\$ 386,212</u>	<u>\$ (28,313)</u>

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance benefits, administration fees, technology, retirement plans and debt service. The total on-behalf payments for 2018 and 2019 were \$9,569,986 and \$9,261,200 respectively.

Governmental Activities

For the governmental program, instructional expense comprises 64.5% of total expense and includes the Schools' expenditures for staff and supplies. Support services equate to 32.7% of total expense and are comprised of spending for student support, staff support, district administrative support, business support, plant operation and maintenance and student transportation. Interest and other expenses make up the remaining 2.8% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of Activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Instructional	\$ 29,232,694	\$ 27,165,214	\$ 22,755,012	\$ 20,982,329
Support Services	13,814,467	13,745,180	13,241,261	13,265,304
Other	457,723	475,698	(3,804)	(3,733)
Interest Costs	<u>765,384</u>	<u>714,441</u>	<u>681,474</u>	<u>641,341</u>
Total Expenses	<u>\$ 44,270,268</u>	<u>\$ 42,100,533</u>	<u>\$ 36,673,943</u>	<u>\$ 34,885,241</u>

Business-Type Activities

The business type activities at the District are Food Service and Community Education. These programs had total revenues of \$3,079,291 and expenses of \$3,246,231 for fiscal year 2019. These revenues were made up of \$91,722 charges for services, \$2,985,691 federal and state operating grants and \$1,878 earnings on investments. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

FSPK and Construction Funds Revenue/Expenditures

Fund 310 is the capital outlay fund and Fund 320 is the building fund (FSPK). State funding makes up the Capital Outlay fund and building fund is made up of state and local revenue. Fund 400 is the debt service fund and is used to make debt payments. There, the funds 310 and 320 were used to collect the state and local revenues, and transfers were then made to Fund 400 as debt service payments came due.

General Fund Budgetary Highlights

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The General Fund had budgeted revenues of \$32,334,357 with actual results being \$32,930,438. Budgeted expenditures were \$34,118,945 compared to actual expenditures of \$32,398,572.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2019 fiscal year, the District had invested \$78,841,542 in a broad range of capital assets, including equipment, buses, buildings, and land. This amount represents a net increase of \$176,132. Depreciation expense for the year was \$2,235,419 and capital additions were \$463,564.

	Governmental		Business - Type		Total Primary Government	
	Activities (Net of Depreciation)		Activities (Net of Depreciation)		(Net of Depreciation)	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Land	\$ 409,580	\$ 409,580	\$ -	\$ -	\$ 409,580	\$ 409,580
Construction in Progress	-	-	-	-	-	-
Buildings and Improvements	40,017,510	38,516,883	-	-	40,017,510	38,516,883
Technology	268,802	86,337	-	-	268,802	86,337
Vehicles	2,868,170	2,827,582	-	-	2,868,170	2,827,582
General Equipment	<u>326,534</u>	<u>307,850</u>	<u>303,439</u>	<u>269,134</u>	<u>629,973</u>	<u>576,984</u>
Total	<u>\$43,890,596</u>	<u>\$42,148,232</u>	<u>\$ 303,439</u>	<u>\$ 269,134</u>	<u>\$44,194,035</u>	<u>\$ 42,417,366</u>

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Beginning Balance	\$ 43,012,231	\$ 43,890,596	\$ 361,629	\$ 303,439	\$ 43,373,860	\$ 44,194,035
Additions	3,448,741	452,033	-	11,531	3,448,741	463,564
Retirements	(480,237)	(287,563)	-	-	(480,237)	(287,563)
Depreciation	<u>(2,090,139)</u>	<u>(1,906,834)</u>	<u>(58,190)</u>	<u>(45,836)</u>	<u>(2,148,329)</u>	<u>(1,952,670)</u>
Ending Balance	<u>\$ 43,890,596</u>	<u>\$ 42,148,232</u>	<u>\$ 303,439</u>	<u>\$ 269,134</u>	<u>\$ 44,194,035</u>	<u>\$ 42,417,366</u>

Long-Term Debt

The District made scheduled bond principal payments in the amount of \$1,625,000 and KISTA principal lease payments in the amount of \$339,106. In addition to the KISTA lease, the District was assessed \$355,503 by Kentucky School Boards Insurance Trust (KSBIT) as of June 30, 2013. The balance on this assessment is \$84,489.

Outstanding Debt at Year-End

	Government	
	Activities (in Millions)	
	<u>2018</u>	<u>2019</u>
Capital Lease Obligations	\$ 2.22	\$ 1.88
General Bond Obligations	22.95	21.32
Net Pension Liability	11.75	11.57
Net OPEB Liability	13.10	11.71
KSBIT Assessment	0.13	0.08
Accrued Sick Leave	<u>0.79</u>	<u>0.79</u>
Total Obligations	<u>\$ 50.94</u>	<u>\$ 47.35</u>

Future Budgetary Implications

In Kentucky, the public school's fiscal year is July 1 – June 30; other programs, i.e. some Federal programs 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 for fiscal year 2019-2020 with a 4.0% contingency.

The state did not mandate pay increases but the School District gave a 2% increase for the 2019-2020 school year. The SEEK base received from the State remained at \$4,000. With a declining pupil adjusted average daily attendance (AADA), the total SEEK funding is projected to decrease \$432,036. Since state funding is not keeping pace with rising costs it will continue to be an issue. Increasing retirement costs borne by the District is one of the significant issues that will impact future budgets.

The District has not experienced any real growth in student population for more than a decade, although costs of providing services continue to increase. Thus, management will continue to be challenged with balancing our staffing needs with declining enrollment and providing the resources to meet the students' needs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director at (606) 365-2124 or by mail at Lincoln County Board of Education, 305 Danville Avenue, Stanford, KY 40484.

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	6,453,962	388,915	6,842,877
Accounts Receivable:			
Taxes - Current	241,999		241,999
Taxes - Delinquent	8,365		8,365
Accounts	11,635	43,201	54,836
Intergovernmental - State	14,600		14,600
Intergovernmental - Federal	887,217		887,217
Inventories for Consumption		32,160	32,160
Total Current Assets	7,617,778	464,276	8,082,054
Noncurrent Assets - Note F			
Land	409,580		409,580
Buildings & Improvements	63,372,677		63,372,677
Furniture & Equipment	13,628,784	1,430,501	15,059,285
Less: Accumulated Depreciation	(35,262,809)	(1,161,367)	(36,424,176)
Total Noncurrent Assets	42,148,232	269,134	42,417,366
TOTAL ASSETS	49,766,010	733,410	50,499,420
Deferred Outflows Related to Pensions	3,072,067	273,071	3,345,138
Deferred Outflows Related to Other Post Employment Benefits	1,560,627	170,464	1,731,091
Deferred Outflows from Advanced Bond Refundings	325,605		325,605
TOTAL DEFERRED OUTFLOWS	4,958,299	443,535	5,401,834
TOTAL ASSETS AND DEFERRED OUTFLOWS	54,724,309	1,176,945	55,901,254
LIABILITIES:			
Current Liabilities:			
Accounts Payable	138,038	12,588	150,626
Accrued Salaries & Sick Leave - Note A	429,493		429,493
Advances from Grantors	528,962		528,962
KSBIT Assessment - Note R	42,244		42,244
Bond Obligations - Note D	1,615,000		1,615,000
Capital Lease Obligation - Note E	286,940		286,940
Accrued Interest Payable	161,339		161,339
Total Current Liabilities	3,202,016	12,588	3,214,604
Noncurrent Liabilities:			
Bond Obligations - Note D	19,705,000		19,705,000
Unamortized Bond Premiums	34,052		34,052
Capital Lease Obligation - Note E	1,593,082		1,593,082
KSBIT Assessment - Note R	42,245		42,245
Net Pension Liability	11,571,662	2,042,057	13,613,719
Net Other Post Employment Benefits Liability	11,712,484	565,140	12,277,624
Accrued Sick Leave - Note A	362,729		362,729
Total Noncurrent Liabilities	45,021,254	2,607,197	47,628,451
TOTAL LIABILITIES	48,223,270	2,619,785	50,843,055
Deferred Inflows Related to Pensions	1,280,169	158,587	1,438,756
Deferred Inflows Related to Other Post Employment Benefits	1,463,214	141,916	1,605,130
TOTAL DEFERRED INFLOWS	2,743,383	300,503	3,043,886
TOTAL LIABILITIES AND DEFERRED INFLOWS	50,966,653	2,920,288	53,886,941
NET POSITION:			
Net Investment in Capital Assets	18,948,210	269,134	19,217,344
Restricted for:			
Capital Projects	106,497		106,497
SFCC Escrow	2,057,453		2,057,453
School Activities	83,824		83,824
Food Service		(2,013,026)	(2,013,026)
Other	3,263	549	3,812
Unrestricted	(17,441,591)		(17,441,591)
TOTAL NET POSITION	3,757,656	(1,743,343)	2,014,313
TOTAL LIABILITIES AND NET POSITION	54,724,309	1,176,945	55,901,254

See independent auditor's report and accompanying notes to financial statements.

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

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	27,165,214		6,182,885		(20,982,329)		(20,982,329)
Support Services:							
Student Support Services	1,381,224	13,735	19,646		(1,347,843)		(1,347,843)
Staff Support Services	1,407,548		409,280		(998,268)		(998,268)
District Administration	850,106				(850,106)		(850,106)
School Administration	2,377,789				(2,377,789)		(2,377,789)
Business Support Services	906,432				(906,432)		(906,432)
Plant Operation & Maintenance	4,254,476		1,697		(4,252,779)		(4,252,779)
Student Transportation	2,567,605		35,518		(2,532,087)		(2,532,087)
Community Service Operations	475,698		479,431		3,733		3,733
Interest on Long-Term Debt	714,441			73,100	(641,341)		(641,341)
TOTAL GOVERNMENTAL ACTIVITIES	42,100,533	13,735	7,128,457	73,100	(34,885,241)		(34,885,241)
BUSINESS-TYPE ACTIVITIES:							
Community Education	11					(11)	(11)
Food Service	3,110,233	91,722	2,985,691			(32,820)	(32,820)
TOTAL BUSINESS-TYPE ACTIVITIES	3,110,244	91,722	2,985,691	0	0	(32,831)	(32,831)
TOTAL SCHOOL DISTRICT	45,210,777	105,457	10,114,148	73,100	(34,885,241)	(32,831)	(34,918,072)
GENERAL REVENUES:							
Taxes:							
Property					5,408,448		5,408,448
Motor Vehicle					939,105		939,105
Utility					1,056,563		1,056,563
Other					139,906		139,906
State Aid - Formula Grants					27,116,763		27,116,763
Investment Earnings					46,055	1,878	47,933
Miscellaneous					178,725		178,725
Funds Transfer (Expense)					135,987	(135,987)	0
Loss Compensation					7,130		7,130
Gain(Loss) Sale of Assets					(4,814)		(4,814)
TOTAL GENERAL REVENUES & TRANSFERS					35,023,868	(134,109)	34,889,759
CHANGE IN NET POSITION					138,627	(166,940)	(28,313)
NET POSITION - BEGINNING					3,619,029	(1,576,403)	2,042,626
NET POSITION - ENDING					3,757,656	(1,743,343)	2,014,313

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	GENERAL FUND	SPECIAL REVENUE	SEEK CAPITAL OUTLAY FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	4,202,221		1,161,771	895,682	194,288	6,453,962
Accounts Receivable:						
Taxes - Current	241,999					241,999
Taxes - Delinquent	8,365					8,365
Accounts	11,635					11,635
Interfund Receivable	333,419					333,419
Intergovernmental - State		14,600				14,600
Intergovernmental - Federal		887,217				887,217
TOTAL ASSETS	<u>4,797,639</u>	<u>901,817</u>	<u>1,161,771</u>	<u>895,682</u>	<u>194,288</u>	<u>7,951,197</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	97,898	39,436			704	138,038
Accrued Salaries & Sick Leave	429,493					429,493
Interfund Payable		333,419				333,419
Advances from Grantors		528,962				528,962
Total Liabilities	<u>527,391</u>	<u>901,817</u>	<u>0</u>	<u>0</u>	<u>704</u>	<u>1,429,912</u>
Fund Balance:						
Restricted for:						
Capital Projects					106,497	106,497
School Activities					83,824	83,824
SFCC Escrow			1,161,771	895,682		2,057,453
Debt Service					3,263	3,263
Committed for:						
Accrued Sick Leave	362,729					362,729
Assigned for:						
Purchase Obligations	13,540					13,540
Unassigned Fund Balance	3,893,979					3,893,979
Total Fund Balance	<u>4,270,248</u>	<u>0</u>	<u>1,161,771</u>	<u>895,682</u>	<u>193,584</u>	<u>6,521,285</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>4,797,639</u>	<u>901,817</u>	<u>1,161,771</u>	<u>895,682</u>	<u>194,288</u>	<u>7,951,197</u>

See independent auditor's report and accompanying notes to financial statements.

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

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL GOVERNMENTAL FUND BALANCE		6,521,285
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	77,411,041	
Accumulated Depreciation	<u>(35,262,809)</u>	42,148,232
Deferred Outflows on Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.		325,605
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.		3,072,067
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.		1,560,627
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(21,320,000)	
Unamortized Bond Premiums	(34,052)	
Capital Lease Obligation	(1,880,022)	
Accrued Interest on Bonds	(161,339)	
KSBIT Assessment	(84,489)	
Net Pension Liability	(11,571,662)	
Net Other Post Employment Benefits Liability	(11,712,484)	
Accrued Sick Leave	<u>(362,729)</u>	(47,126,777)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.		(1,463,214)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.		<u>(1,280,169)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>3,757,656</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	GENERAL	SPECIAL REVENUE	SEEK CAPITAL OUTLAY FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes:						
Property	4,823,855			584,593		5,408,448
Motor Vehicle	939,105					939,105
Utility	1,056,563					1,056,563
Other	139,906					139,906
Earnings on Investments	39,032	1,809			5,214	46,055
Intergovernmental - State	25,543,058	1,067,165	331,069	795,965	519,771	28,257,028
Intergovernmental - Federal	182,187	5,879,105				6,061,292
Other Sources	14,860	91,038			86,562	192,460
TOTAL REVENUES	32,738,566	7,039,117	331,069	1,380,558	611,547	42,100,857
EXPENDITURES:						
Instructional	19,545,880	6,134,737			56,268	25,736,885
Support Services:						
Student Support Services	1,312,283	19,493				1,331,776
Staff Support Services	966,347	406,093				1,372,440
District Administration	844,973					844,973
School Administration	2,282,920					2,282,920
Business Support Services	917,167					917,167
Plant Operation & Maintenance	3,431,563	1,684				3,433,247
Student Transportation	2,435,714	35,241				2,470,955
Community Service Operations		475,698				475,698
Debt Service:						
Principal					1,964,106	1,964,106
Interest					667,994	667,994
TOTAL EXPENDITURES	31,736,847	7,072,946	0	0	2,688,368	41,498,161
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	1,001,719	(33,829)	331,069	1,380,558	(2,076,821)	602,696
OTHER FINANCING SOURCES(USES):						
Loss Compensation	7,130					7,130
Operating Transfers In - Note N	184,742	82,584			2,111,061	2,378,387
Operating Transfers Out - Note N	(661,725)	(48,755)	(331,069)	(1,200,851)		(2,242,400)
TOTAL OTHER FINANCING SOURCES	(469,853)	33,829	(331,069)	(1,200,851)	2,111,061	143,117
NET CHANGE IN FUND BALANCES	531,866	0	0	179,707	34,240	745,813
FUND BALANCES - BEGINNING	3,738,382	0	1,161,771	715,975	159,344	5,775,472
FUND BALANCES - ENDING	4,270,248	0	1,161,771	895,682	193,584	6,521,285

See independent auditor's report and accompanying notes to financial statements.

LINCOLN 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 YEAR ENDED JUNE 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:

NET CHANGES - GOVERNMENTAL FUNDS		745,813
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(2,189,583)	
Capital Outlays	<u>452,033</u>	(1,737,550)
<p>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.</p>		
Bond Principal Paid	1,625,000	
Capital Lease Principal Paid	<u>339,106</u>	1,964,106
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Amortization-Deferred Outflows on Advanced Bond Refundings	(63,376)	
Amortization - Bond Premiums	3,027	
District Pension Contributions	862,850	
Cost of Benefits Earned Net of Employee Contributions	(1,883,827)	
District Other Post Employment Benefits Contributions	824,096	
Cost of Benefits Earned Net of Employee Contributions - OPEB	(684,111)	
Accrued Interest Payable	13,902	
KSBIT Assessment	42,244	
Accrued Sick Leave	<u>56,267</u>	(828,928)
<p>In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.</p>		
Loss - Sale of Assets		<u>(4,814)</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>138,627</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	<u>ENTERPRISE FUNDS</u>		<u>TOTAL</u>
	<u>FOOD SERVICE</u>	<u>COMMUNITY EDUCATION FUND</u>	
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	388,366	549	388,915
Accounts Receivable	43,201		43,201
Inventories for Consumption	32,160		32,160
Total Current Assets	<u>463,727</u>	<u>549</u>	<u>464,276</u>
Noncurrent Assets:			
Furniture & Equipment	1,430,501		1,430,501
Less: Accumulated Depreciation	<u>(1,161,367)</u>		<u>(1,161,367)</u>
Total Noncurrent Assets	<u>269,134</u>	<u>0</u>	<u>269,134</u>
TOTAL ASSETS	<u>732,861</u>	<u>549</u>	<u>733,410</u>
Deferred Outflows Related to Other Post Employment Benefits	170,464		170,464
Deferred Outflows Related to Pensions	<u>273,071</u>		<u>273,071</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>1,176,396</u>	<u>549</u>	<u>1,176,945</u>
LIABILITIES:			
Current Liabilities:			
Account Payable	12,588		12,588
Total Current Liabilities	<u>12,588</u>	<u>0</u>	<u>12,588</u>
Noncurrent Liabilities:			
Net Other Post Employment Benefits Liability	565,140		565,140
Net Pension Liability	<u>2,042,057</u>		<u>2,042,057</u>
Total Noncurrent Liabilities	<u>2,607,197</u>	<u>0</u>	<u>2,607,197</u>
TOTAL LIABILITIES	<u>2,619,785</u>	<u>0</u>	<u>2,619,785</u>
Deferred Inflows Related to Other Post Employment Benefits	141,916		141,916
Deferred Inflows Related to Pensions	<u>158,587</u>		<u>158,587</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>2,920,288</u>	<u>0</u>	<u>2,920,288</u>
Net Position:			
Net Investment in Capital Assets	269,134		269,134
Restricted	<u>(2,013,026)</u>	<u>549</u>	<u>(2,012,477)</u>
Total Net Position	<u>(1,743,892)</u>	<u>549</u>	<u>(1,743,343)</u>
TOTAL LIABILITIES AND NET POSITION	<u>1,176,396</u>	<u>549</u>	<u>1,176,945</u>

See independent auditor's report and accompanying notes to financial statements.

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

	<u>ENTERPRISE FUNDS</u>		
	<u>FOOD SERVICE</u>	<u>COMMUNITY EDUCATION FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Lunchroom Sales	91,015		91,015
Other Operating Revenues	707		707
TOTAL OPERATING REVENUES	<u>91,722</u>	<u>0</u>	<u>91,722</u>
OPERATING EXPENSES:			
Salaries & Benefits	1,324,053		1,324,053
Contract Services	43,706		43,706
Materials & Supplies	1,663,825	11	1,663,836
Depreciation - Note F	45,836		45,836
Other Operating Expenses	32,813		32,813
TOTAL OPERATING EXPENSES	<u>3,110,233</u>	<u>11</u>	<u>3,110,244</u>
OPERATING INCOME(LOSS)	(3,018,511)	(11)	(3,018,522)
NONOPERATING REVENUES(EXPENSES):			
Transfer Out to General Fund	(135,987)		(135,987)
Federal Grants	2,623,272		2,623,272
State Grants	186,671		186,671
Donated Commodities	175,748		175,748
Interest Income	1,874	4	1,878
TOTAL NONOPERATING REVENUE	<u>2,851,578</u>	<u>4</u>	<u>2,851,582</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(166,933)	(7)	(166,940)
CAPITAL CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>
CHANGE IN NET POSITION	(166,933)	(7)	(166,940)
TOTAL NET POSITION	<u>(1,576,959)</u>	<u>556</u>	<u>(1,576,403)</u>
TOTAL NET POSITION - ENDING	<u>(1,743,892)</u>	<u>549</u>	<u>(1,743,343)</u>

See independent auditor's report and accompanying notes to financial statements.

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

	FOOD SERVICE FUND	COMMUNITY EDUCATION FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Lunchroom Sales	91,015		91,015
Other Activities	707		707
Cash Paid to/for:			
Employees	(959,679)		(959,679)
Supplies	(1,517,147)	(11)	(1,517,158)
Other Activities	(76,519)		(76,519)
Net Cash Provided (Used) by Operating Activities	(2,461,623)	(11)	(2,461,634)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfer out to General Fund	(135,987)		(135,987)
Federal Grants	2,633,743		2,633,743
State Grants	22,752		22,752
Net Cash Provided by Non-Capital and Related Financing Activities	2,520,508	-	2,520,508
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(11,531)		(11,531)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of Interest Income	1,874	4	1,878
Net Cash Provided by Investing Activities	1,874	4	1,878
Net Increase in Cash and Cash Equivalents	49,228	(7)	49,221
Balances, Beginning of Year	339,138	556	339,694
Balances, End of Year	388,366	549	388,915
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(3,018,511)	(11)	(3,018,522)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation	45,836		45,836
State On-Behalf Payments	163,919		163,919
Donated Commodities	175,748		175,748
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Deferred Outflows	224,898		224,898
Deferred Inflows	122,976		122,976
Net Pension Liability	(30,786)		(30,786)
Net Other Post Employment Benefits	(116,633)		(116,633)
Inventory	(18,107)		(18,107)
Accounts Payable	(10,963)		(10,963)
Net Cash Provided (Used) by Operating Activities	(2,461,623)	(11)	(2,461,634)
Schedule of Non-Cash Transactions:			
Donated Commodities	175,748	-	175,748
State On-Behalf Payments	163,919	-	163,919

See independent auditor's report and accompanying notes to financial statements.

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

	<u>AGENCY FUND</u>
ASSETS:	
Cash and Cash Equivalents	344,664
Accounts Receivable	<u>797</u>
TOTAL ASSETS	<u>345,461</u>
LIABILITIES:	
Accounts Payable	4,686
Due to Student Groups	<u>340,775</u>
TOTAL LIABILITIES	<u>345,461</u>
NET POSITION IN TRUST	<u><u>0</u></u>

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Lincoln County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the 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 organizations are included in the accompanying financial statements:

Lincoln County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Lincoln 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 Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust 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. 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 and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

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

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

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

Basis of Accounting

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

Revenues – Exchange and Nonexchange 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 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were \$0.535 per \$100 valuation for real property, \$0.535 per \$100 valuation for business personal property, and \$0.542 per \$100 valuation for motor vehicles.

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

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 funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

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

Interfund Balances

On fund financial statements, receivables and payable 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.

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 School 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 amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

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

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	\$362,729	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

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

Contributions of Capital

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

Pensions

Teachers' Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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.

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

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Postemployment Benefits Other Than Pensions

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

County Employees Retirement System - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$7,187,541. Of the total cash balance, \$278,263 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

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

	Bank Balance	Book Balance
Farmers Bank	8,490,721	7,159,278
U.S. Bank	3,263	3,263
J.P. Chase	<u>25,000</u>	<u>25,000</u>
Total Cash	<u>8,518,984</u>	<u>7,187,541</u>
Breakdown per financial statements:		
Governmental Funds		6,453,962
Proprietary Funds		<u>388,915</u>
Cash per Statement of Net Position		6,842,877
Agency Funds		<u>344,664</u>
Total Cash		<u>7,187,541</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Lincoln County School District Finance Corporation in the original amount aggregating \$28,440,000.

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

2009	3,130,000	2.00% - 3.00%
2010 Refunding	4,215,000	2.00% - 3.30%
2012	2,145,000	1.15% - 3.20%
2012 Refunding	6,820,000	1.00% - 2.375%
2014 Refunding	5,385,000	2.75% - 3.625%
2015 Refunding	6,745,000	2.00% - 3.00%

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

In 1995 the Board entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission's participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2019, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2019-20	1,615,000	573,354	463,460	1,724,894
2020-21	1,515,000	532,101	310,771	1,736,330
2021-22	1,570,000	490,618	310,771	1,749,847
2022-23	1,620,000	450,916	310,771	1,760,145
2023-24	1,655,000	413,266	310,772	1,757,494
2024-25	1,705,000	374,541	310,772	1,768,769
2025-26	1,735,000	333,316	285,138	1,783,178
2026-27	1,655,000	296,935	193,873	1,758,062
2027-28	1,715,000	249,285	193,873	1,770,412
2028-29	1,785,000	196,595	193,873	1,787,722
2029-30	1,845,000	137,610	193,873	1,788,737
2030-31	1,585,000	68,325	151,385	1,501,940
2031-32	<u>1,320,000</u>	<u>42,900</u>	<u>0</u>	<u>1,362,900</u>
	<u>21,320,000</u>	<u>4,159,762</u>	<u>3,229,332</u>	<u>22,250,430</u>

Long-term liability activity for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities:					
Revenue Bond Payable	22,945,000	0	1,625,000	21,320,000	1,615,000
Unamortized Bond Premiums	37,078	0	3,026	34,052	0
Capital Lease Obligations	2,219,128	0	339,106	1,880,022	286,940
KSBIT Assessment	126,733	0	42,244	84,489	42,244
Net Pension Liability	11,746,113	0	174,451	11,571,662	0
Net OPEB Liability	13,055,403	0	1,342,919	11,712,484	0
Accrued Sick Leave	<u>793,810</u>	<u>84,856</u>	<u>92,805</u>	<u>785,861</u>	<u>423,132</u>
Total Governmental Activities:	50,923,265	84,856	3,619,551	47,388,570	2,367,316
Proprietary Activities:					
Net OPEB Liability	681,773	0	116,633	565,140	0
Net Pension Liability	<u>2,072,843</u>	<u>0</u>	<u>30,786</u>	<u>2,042,057</u>	<u>0</u>
Total Long-Term Liabilities:	<u>53,677,881</u>	<u>84,856</u>	<u>3,766,970</u>	<u>49,995,767</u>	<u>2,367,316</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL LEASE PAYABLE

The District is the lessee of buses under capital leases expiring in various years through 2027. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2019.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2019</u>
Buses	2,927,765
Accumulated Amortization	<u>(1,241,669)</u>
	<u>1,686,096</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2019:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2020	331,254
2021	331,474
2022	323,714
2023	316,858
2024	273,951
2025-2027	<u>480,568</u>
Net minimum lease payments	2,057,819
Amount representing interest	<u>(177,797)</u>
Present value of net minimum lease payments	<u>1,880,022</u>

Interest rates on capitalized leases vary from 1.00% to 3.900%. The capital leases provide for the buses to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

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

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	409,580			409,580
Construction	-	-		-
Depreciable Assets:				
Buildings & Building Improvements	63,372,677			63,372,677
Technology Equipment	3,964,769	-	6,999	3,957,770
Vehicles	8,099,128	386,247	280,564	8,204,811
General Equipment	1,400,417	65,786		1,466,203
TOTAL AT HISTORICAL COST	77,246,571	452,033	287,563	77,411,041
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	23,355,167	1,500,627		24,855,794
Technology Equipment	3,695,966	182,466	6,999	3,871,433
Vehicles	5,230,958	422,021	275,750	5,377,229
General Equipment	1,073,884	84,469		1,158,353
TOTAL ACCUMULATED DEPRECIATION	33,355,975	2,189,583	282,749	35,262,809
GOVERNMENTAL ACTIVITIES CAPITAL NET	43,890,596	(1,737,550)	(4,814)	42,148,232
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	65,921			65,921
General Equipment	1,353,049	11,531		1,364,580
TOTALS AT HISTORICAL COST	1,418,970	11,531	-	1,430,501
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	65,921			65,921
General Equipment	1,049,610	45,836		1,095,446
TOTAL ACCUMULATED DEPRECIATION	1,115,531	45,836	-	1,161,367
PROPRIETARY ACTIVITIES CAPITAL NET	303,439	(34,305)	-	269,134
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				927,961
Student Support Services				6,798
Staff Support Services				4,676
District Administration				-
School Administration				5,661
Business Support Services				-
Plant Operation & Maintenance				832,972
Student Transportation				411,515
Central Office				-
Community Service Operations				-
TOTAL				2,189,583

NOTE G – RETIREMENT PLANS

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

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

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

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

Tier 1	Participation date	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 or 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	<u>Required Contributions</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 (“TRS”)

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 (TRS)—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. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at http://www.TRS.ky.gov/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. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS.

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.

Medical Insurance Plan

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

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

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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 TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 13,613,719
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>60,368,474</u>
	<u>\$ 73,982,193</u>

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 0.223531 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$2,063,999 related to CERS and \$4,374,155 related to TRS. The District also recognized revenue of \$4,374,155 TRS support provided by the Commonwealth. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 444,041	\$ 199,276
Changes of assumptions	1,330,456	-
Net difference between projected and actual earnings on pension plan investments	633,048	796,284
Changes in proportion and differences between District contributions and proportionate share of contributions	74,743	443,196
District contributions subsequent to the measurement date	<u>862,850</u>	<u>-</u>
Total	<u>\$ 3,345,138</u>	<u>\$ 1,438,756</u>

\$862,850 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	<u>Year ended June 30:</u>
2020	959,118
2021	396,100
2022	(238,618)
2023	(73,068)
2024	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

Teachers' Retirement System (TRS)

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

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Investment rate of return	7.50%, net of pension plan investment expenses, including inflation
Projected salary increases	4.0-8.2%, includes inflation
Cost of living adjustments	1.50% annually
Inflation rate	3.50%

County Employees' Retirement System (CERS)

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

Valuation Date	June 30, 2018
Experience Study	July 1, 2008-June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Investment rate of return	6.25%, net of pension plan investment expenses, including inflation
Projected salary increases	3.05% average, includes inflation
Inflation rate	2.30%

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 in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For TRS, 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 last experience study was performed in 2015.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.00%	4.20%
International Equity	22.00%	5.20%
Fixed Income	15.00%	1.20%
Additional Categories	8.00%	3.30%
Real Estate	6.00%	3.80%
Private Equity	7.00%	6.3%
Cash	2.0%	.9%
Total	100.0%	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Asset Class	Target Allocation	Long- Term Expected Real Rate of Return
U.S. Equity	17.50%	
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
Non U.S. Equity	17.50%	
International Developed	12.50%	2.63%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.0%	1.5%
Total	100.0%	6.09%

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 will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 6.50%. 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 statutorily required rates. 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 employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and TRS 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:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	17,138,262	13,613,719	10,660,769
TRS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	0	0	0

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 TRS.

NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers’ Retirement System of Kentucky

Plan description – Teaching-certified employees of the Kentucky School 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 at <https://trs.ky.gov/financial-reports-information>.

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 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.

At June 30, 2019, the Lincoln County District reported a liability of \$8,309,000 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, 2017, 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 .23947 percent, as compared with .25215 percent at June 30, 2017

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 net OPEB liability	\$ 8,309,000
State’s proportionate share of the net OPEB liability associated with the District	<u>7,160,000</u>
Total	<u>\$15,469,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$852,130 and revenue of \$371,671 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>
Differences between expected and actual experience	\$ -	\$ 425,383
Changes of assumptions	114,402	-
Net difference between projected and actual earnings on pension plan investments	-	33,837
Changes in proportion and differences between District contributions and proportionate share of contributions	-	199,801
District contributions subsequent to the measurement date	<u>480,259</u>	<u>-</u>
Total	<u>594,661</u>	<u>659,021</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$480,259 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:

Year ended June 30:	
2020	\$ (106,883)
2021	(106,883)
2022	(106,883)
2023	(91,307)
2024	(94,530)
Thereafter	(38,133)

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 FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, 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, health care cost trends, 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Additional Categories	20.0%	3.3%
Cash	1.0%	0.9%
Total	<u>100.0%</u>	

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.

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 (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
TRS	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	9,743,505	8,309,000	7,114,021

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	6,889,880	8,309,000	10,059,824

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 provides 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.

At June 30, 2019, the Kentucky School 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 the net OPEB liability	-0-
State’s proportionate share of the net OPEB liability associated with the District	<u>123,000</u>
Total	<u>\$ 123,000</u>

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	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4.00-8.10%, including inflation
Inflation rate	3.5%
Real Wage Growth	0.50%
Wage Inflation	4.00%
Municipal Bond Index Rate	3.56%
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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

<u>Asset Class*</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Additional Categories	6.0%	3.3%
Cash	2.0%	90.0%
Total	<u>100.0%</u>	

**As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.*

***Modeled as 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.

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

County Employees' Retirement System of Kentucky

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to LINCOLN County School District since the District does not have or qualify to have employees participate in KERS or SPRS.

Benefits provided – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Paid By Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – In order to fund the post-retirement healthcare benefit, four and seventy tenths percent (4.70%) of the gross annual payroll of members is contributed for the year ended June 30, 2019 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2019, the Lincoln County District reported a liability of \$3,968,624 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 .223524 percent, as compared with .236088 percent at June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 net OPEB liability	\$ 3,968,624
State's proportionate share of the net OPEB liability associated with the District	<u>-0-</u>
Total	<u>\$ 3,968,624</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$415,016. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 462,490
Changes of assumptions	792,593	9,169
Net difference between projected and actual earnings on pension plan investments	-	273,360
Changes in proportion and differences between District contributions and proportionate share of contributions	-	201,090
District contributions subsequent to the measurement date	<u>343,837</u>	<u>-</u>
Total	<u>1,136,430</u>	<u>946,109</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$343,837 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:

Year ended June 30:	
2019	\$ (24,218)
2020	(24,218)
2021	(24,218)
2021	28,873
2023	(72,735)
Thereafter	(37,000)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008-June 30 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pat
Remaining Amortization Period	28 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	6.25%
Projected salary increases	3.05% average
Inflation rate	2.30%
Payroll Growth Rate	4.00%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 5.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

Mortality rates were based on the 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 Disability Mortality Table projected with Scale BB to 2013(set back four years for males) is used for period after disability retirement.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	17.50%	
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
Non U.S. Equity	17.50%	
International Developed	12.50%	2.63%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.0%	1.5%
Total	100.0%	6.09%

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

The following 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 (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.85%	5.85%	6.85%
District's proportionate share of net OPEB liability	5,154,607	3,968,624	2,958,384

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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>
Systems’ net pension liability	2,954,680	3,968,624	5,163,772

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

NOTE I – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor’s review, the funds are considered not to have been used for the intended purpose, the 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 programs is predicated upon the grantors’ satisfaction that the funds provided are being spent as intended and the grantors’ intent to continue their programs.

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently, the District maintains insurance coverage through Ohio Casualty Insurance Company.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L – DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit fund balance in the amount of \$1,743,892 at June 30, 2019. Additionally, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Special Revenue	33,829
Debt Service	2,107,798

NOTE M – 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 N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	82,584
Operating	Special Revenue	General	Operations	44,754
Operating	Special Revenue	General	Indirect Cost	4,001
Operating	General	Debt Service	Debt Service	579,141
Operating	Building	Debt Service	Debt Service	<u>1,531,920</u>
		Subtotal Governmental Funds Transfer		2,242,400
Operating	Food Service	General	Indirect Costs	<u>135,987</u>
		Total Transferred Funds		<u><u>2,378,387</u></u>

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$333,419

The interfund payables/receivables represent temporary financing that will be repaid within one year.

NOTE P – SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 29, 2019. There are no material subsequent events to disclose.

NOTE Q – ON-BEHALF PAYMENT

For the year ended June 30, 2019, \$9,261,201 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Teachers Retirement System (GASB 68 Schedule A)	\$4,374,155
Teachers Retirement System (GASB 75)	371,871
Health Insurance	4,190,783
Life Insurance	6,967
Administrative Fee	57,215
HRA/Dental/Vision	231,537
Federal Reimbursement	(590,835)
Technology	99,737
SFCC Debt Service Payments	<u>519,771</u>
 Total	 <u>\$9,261,201</u>

NOTE R – KSBIT ASSESSMENT

As of June 30, 2013, Kentucky School Boards Insurance Trust (KSBIT) was disbanded. On January 14, 2013, school districts in Kentucky were notified that if they had been participating members in KSBIT Workers' Compensation Self-Insurance Pool or its Property and Liability Self-Insurance Pool, they would be required to pay an assessment to repay their portion of the losses incurred by KSBIT. The total assessment for all participants is expected to be between \$50 million and \$60 million. As of June 30, 2019, Lincoln County School District's remaining assessment is valued at \$84,489. This has been recorded as a long-term liability on the government-wide financial statements. However, the District may be given an additional assessment in the future if KSBIT incurs additional losses as a result of ongoing litigation. The District has elected to pay this assessment according to the following schedule:

<u>Year Ending June 30,</u>	<u>KSBIT Assessment Payable</u>
2020	42,244
2021	<u>42,245</u>
 Total	 <u>84,489</u>

REQUIRED SUPPLEMENTARY
INFORMATION

LINCOLN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	6,382,050	6,382,050	6,959,429	577,379
Other Local Sources	36,255	36,255	53,892	17,637
State Sources	25,587,087	25,587,087	25,543,058	(44,029)
Federal Sources	148,000	148,000	182,187	34,187
Other Sources	180,965	180,965	191,872	10,907
TOTAL REVENUES	32,334,357	32,334,357	32,930,438	596,081
EXPENDITURES:				
Instructional	20,364,176	20,364,176	19,545,880	818,296
Student Support Services	1,445,117	1,445,117	1,312,283	132,834
Staff Support Services	1,035,442	1,035,442	966,347	69,095
District Administration	737,626	737,626	844,973	(107,347)
School Administration	2,266,068	2,266,068	2,282,920	(16,852)
Business Support Services	967,879	967,879	917,167	50,712
Plant Operation & Maintenance	3,661,059	3,661,059	3,431,563	229,496
Student Transportation	2,975,639	2,975,639	2,435,714	539,925
Community Service Operations			0	0
Other	665,939	665,939	661,725	4,214
TOTAL EXPENDITURES	34,118,945	34,118,945	32,398,572	1,720,373
NET CHANGE IN FUND BALANCE	(1,784,588)	(1,784,588)	531,866	2,316,454
FUND BALANCES - BEGINNING	1,784,588	1,784,588	3,738,382	0
FUND BALANCES - ENDING	0	0	4,270,248	2,316,454

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources			1,809	1,809
State Sources	1,022,569	1,022,569	1,067,165	44,596
Federal Sources	6,386,025	6,386,025	5,879,105	(506,920)
Other Sources	97,084	97,084	173,622	76,538
TOTAL REVENUES	<u>7,505,678</u>	<u>7,505,678</u>	<u>7,121,701</u>	<u>(383,977)</u>
EXPENDITURES:				
Instructional	6,516,660	6,516,660	6,134,737	381,923
Student Support Services	21,759	21,759	19,493	2,266
Staff Support Services	405,406	405,406	406,093	(687)
District Administration				
School Administration				
Business Support Services				
Plant Operation & Maintenance	21,685	21,685	1,684	20,001
Student Transportation	46,950	46,950	35,241	11,709
Food Service				
Central Office				
Community Service Operations	464,464	464,464	475,698	(11,234)
Facility Acquisition & Construction				
Other	28,754	28,754	48,755	(20,001)
TOTAL EXPENDITURES	<u>7,505,678</u>	<u>7,505,678</u>	<u>7,121,701</u>	<u>383,977</u>
NET CHANGE IN FUND BALANCE	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

See accompanying auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State of Kentucky's share of the net pension liability associated with the district	<u>107,599,741</u>	<u>114,033,554</u>	<u>145,053,801</u>	<u>128,026,106</u>	<u>60,368,474</u>
TOTAL	<u>107,599,741</u>	<u>114,033,554</u>	<u>145,053,801</u>	<u>128,026,106</u>	<u>60,368,474</u>
District's covered-employee payroll	\$ 16,242,417	\$ 17,267,002	\$ 16,798,382	\$ 16,550,655	\$ 16,008,627
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of net pension liability	0.227394%	0.234952%	0.232259%	0.236088%	0.223531%
District's proportionate share of the net pension liability	\$ 7,377,999	10,101,825	11,435,526	13,818,956	13,613,719
State of Kentucky's share of the net pension liability associated with the district	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	<u>\$ 7,377,999</u>	<u>10,101,825</u>	<u>11,435,526</u>	<u>13,818,956</u>	<u>13,613,719</u>
District's covered-employee payroll	\$ 6,088,163	5,561,734	5,788,896	5,549,483	5,319,668
District's proportionate share of the net pension liability as a percentage of its covered-payroll	121.19%	181.63%	197.54%	249.01%	255.91%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	63.46%	55.50%	53.30%	53.54%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,242,417	\$ 17,267,002	\$ 16,798,382	\$ 16,550,655	\$ 16,008,627
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contributions (actuarially determined)	\$ 698,977	\$ 690,767	\$ 807,551	\$ 803,565	\$ 862,851
Contributions in relation to the actuarially determined contributions	<u>698,977</u>	<u>690,767</u>	<u>807,551</u>	<u>803,565</u>	<u>862,851</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,482,170	\$ 5,561,734	\$ 5,788,896	\$ 5,549,483	\$ 5,319,668
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	2018	2019
District's proportion of net OPEB liability	0.236088%	0.223524%
District's proportionate share of the net OPEB liability	4,746,176	3,968,624
State of Kentucky's share of the net OPEB liability associated with the district	-	-
TOTAL	4,746,176	3,968,624
District's covered-employee payroll	5,549,483	5,319,668
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	85.52%	74.60%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	2018	2019
District's proportion of net OPEB liability	0.2521%	0.2395%
District's proportionate share of the net OPEB liability	8,991,000	8,309,000
State of Kentucky's share of the net OPEB liability associated with the district	7,344,000	7,160,000
TOTAL	16,335,000	15,469,000
District's covered-employee payroll	\$ 16,550,655	\$ 16,008,627
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	54.32%	51.90%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	2018	2019
District's proportion of net OPEB liability	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-
State of Kentucky's share of the net OPEB liability associated with the district	98,000	123,000
TOTAL	98,000	123,000
District's covered-employee payroll	\$ 16,550,655	\$ 16,008,627
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	2018	2019
Contractually required contributions (actuarially determined)	\$ 260,826	\$ 279,815
Contributions in relation to the actuarially determined contributions	260,826	279,815
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 5,549,483	\$ 5,319,668
Contributions as a percentage of Covered employee payroll	4.70%	5.26%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCON COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	2018	2019
Contractually required contributions (actuarially determined)	\$ 496,520	\$ 480,259
Contributions in relation to the actuarially determined contributions	496,520	480,259
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 16,550,655	\$ 16,008,627
Contributions as a percentage of Covered employee payroll	3.00%	3.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE LIFE INSURANCE PLAN
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,550,655	\$ 16,008,627
Contributions as a percentage of Covered employee payroll	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increases were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scales AA, which was used prior to 2016.

In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity Mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothing methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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 the schedule:

Actuarial Cost Method	Entry age
Amortization Period	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent
Salary Increase	4.00 to 8.20 percent, including inflation
Ultimate Investment rate of return	7.50 percent, net of pension plan investment Expense, including inflation

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

LINCOLN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

The assumed investment rate of return was decreased from 7.75% to 7.50%

The assumed inflation rate was reduced from 3.5% to 3.255%

The assumed rate of wage inflation was reduced from 1.00% to .75%

Payroll growth assumption was reduced from 4.5% to 4%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females)

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes in assumptions.

LINCOLN COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2019

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of contribution are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. 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 rates reported in that schedule:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
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 percent
Salary Increase	4.0 percent, average
Investment Rate of Return	7.5 percent, net of pension plan investment expense, including inflation

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.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS pension.

LINCOLN COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2019

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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

Valuation date	June 30, 2018
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	4.00%
Salary increases, including wage inflation	3.5% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
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).

NOTE C – CHANGES OF BENEFITS

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

LINCOLN COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2019
COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – 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, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
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 percent
Salary Increase	4.0 percent, average
Investment Rate of Return	7.5 %
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

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.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS OPEB.

OTHER SUPPLEMENTARY
INFORMATION

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

	DISTRICT ACTIVITY FUND	CONSTRUCTION FUND	DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:				
Cash & Cash Equivalents	84,528	106,497	3,263	194,288
TOTAL ASSETS	84,528	106,497	3,263	194,288
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	704			704
Total Liabilities	704	0	0	704
Fund Balances:				
Restricted for:				
Capital Projects		106,497		106,497
School Activities	83,824			83,824
Debt Service			3,263	3,263
Total Fund Balances	83,824	106,497	3,263	193,584
TOTAL LIABILITIES AND FUND BALANCES	84,528	106,497	3,263	194,288

See independent auditor's report and accompanying notes to financial statements.

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

	DISTRICT ACTIVITY FUND	CONSTRUCTION FUND	DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:				
Earnings on Investments		683	4,531	5,214
Intergovernmental - State			519,771	519,771
Other Sources	86,562			86,562
TOTAL REVENUES	<u>86,562</u>	<u>683</u>	<u>524,302</u>	<u>611,547</u>
EXPENDITURES:				
Instructional	56,268			56,268
Debt Service:				
Principal			1,964,106	1,964,106
Interest			667,994	667,994
TOTAL EXPENDITURES	<u>56,268</u>	<u>0</u>	<u>2,632,100</u>	<u>2,688,368</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	30,294	683	(2,107,798)	(2,076,821)
OTHER FINANCING SOURCES(USES):				
Operating Transfers In			2,111,061	2,111,061
Operating Transfers Out				0
TOTAL OTHER FINANCING SOURCES(USES)	<u>0</u>	<u>0</u>	<u>2,111,061</u>	<u>2,111,061</u>
NET CHANGE IN FUND BALANCES	<u>30,294</u>	<u>683</u>	<u>3,263</u>	<u>34,240</u>
FUND BALANCES - BEGINNING	<u>53,530</u>	<u>105,814</u>	<u>0</u>	<u>159,344</u>
FUND BALANCES - ENDING	<u><u>83,824</u></u>	<u><u>106,497</u></u>	<u><u>3,263</u></u>	<u><u>193,584</u></u>

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	FUND BALANCE JULY 1, 2018	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2019
Lincoln County High School	221,502	479,634	522,038	179,098
Lincoln County Middle School	50,112	196,133	182,188	64,057
Crab Orchard Elementary	26,846	34,476	39,266	22,056
Highland Elementary	10,818	27,494	30,569	7,743
Houstonville Elementary	23,229	46,144	49,109	20,264
McKinney Elementary	27,009	17,556	27,649	16,916
Stanford Elementary	25,930	63,384	70,348	18,966
Waynesburg Elementary	<u>13,401</u>	<u>38,334</u>	<u>40,060</u>	<u>11,675</u>
Total Activity Funds (Due to Student Groups)	<u><u>398,847</u></u>	<u><u>903,155</u></u>	<u><u>961,227</u></u>	<u><u>340,775</u></u>

See independent accountant's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	CASH BALANCE JULY 1, 2018	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2019	ACCOUNTS RECEIVABLE JUNE 30, 2019	ACCOUNTS PAYABLE JUNE 30, 2019	FUND BALANCE JUNE 30, 2019
General Fund	690	1,250	1,252	688			688
LCHS Special Acct.	1,353	0	1,112	241			241
Flower Fund	468	446	322	592			592
District Attendance	1,210	300	248	1,262			1,262
Dress Code Account	249	63	312	0			0
Lock Account	339	55	394	0			0
General Student	1,216	7,214	3,098	5,332	33		5,365
Book Scholarship Fund	14	0	14	0			0
Genearel Staff	1,645	1,773	2,099	1,319	180		1,499
Chrome Books	15,516	24,022	35,105	4,433	185		4,618
Project Graduation	4,520	9,615	8,406	5,729		1,034	4,695
Prom Account	20,369	9,200	6,233	23,336			23,336
Yearbook	8,766	2,835	1,271	10,330			10,330
Student Pepsi Account	79	67	146	0			0
Student Vending	182	59	241	0			0
Teacher Vending	258	59	317	0			0
Picture Account	4,975	1,672	2,571	4,076	142		4,218
Hats On	100	0	100	0			0
Art Department	475	1,037	1,059	453			453
Business Department	2,556	0	49	2,507			2,507
Computer Lab	219	0	0	219			219
Culinary	104	839	797	146			146
VO. AG. Special	596	325	529	392			392
Floral Design	457	0	0	457			457
Family & Cons. Science	864	0	20	844			844
Horticulture	10,522	13,940	14,074	10,388			10,388
Industrial Arts	120	0	0	120			120
Language Arts Department	200	101	0	301			301
Math Department	119	29	29	119			119
Physical Education Department	459	0	0	459			459
Science Dept.	27	65	0	92			92
Science Fair	65	0	65	0			0
Social Studies Dept.	0	90	33	57			57
Marketing	1,637	420	1,177	880			880
Unite to Read	35	0	35	0			0
Athletics	2,764	69,353	59,961	12,156		300	11,856
A.D. Financial Aid	150	60,812	55,839	5,123			5,123
Baseball BC	1,298	10,389	6,110	5,577		300	5,277
Boys Basketball BC	1,382	1,488	2,870	0			0
Girls Basketball/BC	1,218	1,472	2,690	0			0
Football BC	10,909	14,469	25,093	285			285
Boys Golf BC	153	965	675	443			443
Girls Golf BC	41	1,096	268	869			869
Boys Soccer BC	727	0	727	0			0
Girls Soccer BC	2,626	2,225	4,851	0			0
Softball BC	368	863	1,231	0		228	228
Boys and Girls Tennis BC	878	1,005	934	949			949
Boys Track	2,453	1,686	4,139	0			0
Cross Country BC	361	2,758	2,219	900			900
Girls Volleyball BC	4,363	13,500	15,760	2,103			2,103
District Softball	3,339	2,810	2,879	3,270			3,270
Baseball District	1,429	0	1,429	0			0
Volleyball District	225	0	225	0			0
Cheerleaders	2,291	60,780	57,464	5,607			5,607
Patriot Classic	1,863	0	1,863	0			0
Death Valley Bowl	5,270	19,660	24,520	410			410
Bass Fishing BC	1,826	1,466	854	2,438			2,438
District Basketball	4,807	0	4,807	0			0
Winter Basketball	16,124	17,264	33,387	1			1
Regional Basketball	8,807	34,937	32,010	11,734		147	11,587
Training/F.A.	946	500	1,359	87		39	48
Archery BC	9,302	39,211	42,380	6,133		2,800	3,333

Football Playoffs	5,185	3,464	2,059	6,590			6,590
Bowling BC	1,705	3,685	2,878	2,512			2,512
Uniform FA	749	7,551	8,300	0			0
Baseball FA	458	1,250	1,294	414			414
Boys Basketball FA	0	2,080	1,451	629			629
Girls Basketball FA	0	2,080	2,003	77			77
Football FA	7,249	5,037	11,919	367			367
Boys Golf FA	422	0	422	0			0
Girls Golf FA	1,058	0	1,058	0			0
Boys Soccer FA	674	1,250	1,377	547			547
Girls Soccer FA	545	1,353	1,620	278			278
Softball FA	1,757	9,305	9,467	1,595			1,595
B&G Tennis FA	29	0	29	0			0
Boys Track & Field FA	170	1,000	1,102	68			68
Cross Country FA	1,635	1,000	1,349	1,286			1,286
Girls Volleyball FA	846	1,308	998	1,156			1,156
Cheerleaders FA	2,012	750	1,951	811			811
Swim B/C FA	0	500	135	365			365
Bass Fishing FA	866	0	866	0			0
Archery FA	412	500	912	0			0
Bowling FA	565	0	565	0			0
Beta Club	1,624	1,600	1,558	1,666			1,666
Jr. Guard/JROTC	2,124	0	0	2,124			2,124
Spring Musical	2,550	7,700	6,841	3,409			3,409
F.B.L.A.	519	8,257	8,256	520			520
F.C.A.	953	0	0	953			953
F.F.A.	1,492	25,377	23,414	3,455	30	50	3,435
F.C.C.L.A.	1,436	2,346	2,412	1,370			1,370
Guidance Department	125	525	251	399			399
Teens For Change	161	0	161	0			0
Library	3,496	987	374	4,109		16	3,695
National Honor Society	1,070	2,566	2,417	1,219			1,219
Teenage Republicans	122	0	122	0			122
Pep Club	1,869	1,539	1,407	2,001			2,001
F.E.A.	708	0	708	0			0
Student Y/KYA	149	0	0	149			149
Youth Service Center	21	0	0	21			21
Key Club	2,183	0	1,000	1,183			1,183
Drama Club	414	821	276	959			959
The Spain Club	775	0	775	0			0
Art Honor Society	34	0	34	0			0
National Art Honor Society	156	34	0	190			190
Band	5,562	4,987	9,129	1,420			1,420
Chorus	274	4,059	3,451	882			2,589
Senior Class	65	12,029	11,016	1,078			1,078
Junior Class	537	0	537	0			0
Sophomore Class	23	0	23	0			0
Freshman Class	152	0	152	0			0
Academic Team	360	89	0	449			449
Student Council	924	0	227	697			697
Foreign Language	246	0	0	246			246
Arts & Humanity	893	0	351	542			542
Relay For Life	89	0	89	0			0
Auditorium/Tickets	18	0	18	0			0
Auditorium/Rental	629	16	122	523			523
Textbooks	2,994	0	0	2,994			2,994
Patriot Printing	285	0	285	0			0
Rugby	270	0	270	0			0
Educators Rising	666	1,438	1,432	672			672
Snow Queen	0	250	250	0			0
National Spanish Honor	55	85	121	19			19
National French Honor	459	319	593	185			185
Total All Funds	229,143	551,322	597,479	182,986	798	4,686	180,529
Interfund Transfers	0	(65,064)	(65,064)	0	0	0	0
Total	229,143	486,258	532,415	182,986	798	4,686	179,098

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

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>MUNIS PROJECT NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Parent Involvement	84.010	3100002	310EM	15,191
Title I - Parent Involvement	84.010	3100002	310DM	4,302
Title I - Grants to Local Educational Agencies	84.010	3100002	310E	872,891
Title I - Grants to Local Educational Agencies	84.010	3100002	320DE	324
Title I - Grants to Local Educational Agencies	84.010	3100002	310D	446,188
Title I - School Improvement	84.010	3100202	320EE	257,197
Title I Cluster				1,596,093
Striving Readers Comprehensive Literacy Program	84.371C	466E	466E	243,662 *
Supporting Effective Instruction State Grants	84.367	3230002	401E	170,404
Perkins Voc.	84.048	3710002	348D	2,430
Perkins Voc.	84.048	3710002	348E	28,971
Total Perkins Voc.				31,401
IDEA - Special Education - Grants to State	84.027	3810002	337E	240,882
IDEA - Special Education - Preschool Grants	84.173	3800002	343E	55,657
Special Education Cluster				296,539
21st Century Learning Center	84.287	3400002	550CU	20,000
21st Century Learning Center	84.287	3400002	550D	73,687
21st Century Learning Center	84.287	3400002	550DC	82,106
21st Century Learning Center	84.287	3400002	550DE	95,444
21st Century Learning Center	84.287	3400002	550DH	84,391
21st Century Learning Center	84.287	3400002	5550DJ	5,000
21st Century Learning Center	84.287	3400002	552D	108,080
21st Century Learning Center	84.287	3400002	550C	25,026
21st Century Learning Center	84.287	3400002	550CC	25,467
21st Century Learning Center	84.287	3400002	550CE	48,318
21st Century Learning Center	84.287	3400002	550CH	21,663
21st Century Learning Center	84.287	3400002	550CM	24,456
21st Century Learning Center Total				613,638
Migrant Education - State Grant Program	84.011	3110002	311E	89,455
Title IV - Rural and Low Income Schools	84.358	3140002	350E	27,731
Title IV, Part A-Student Support and Academic Enrichment	84.424	552D	552D	34,500
Title IV, Part A-Student Support and Academic Enrichment	84.424	552E	552E	35,541
Title IV - Student Support and Academic Enrichment Total				70,041

Passed Through Berea College				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379AB	379EB	37,602
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379CB	379EC	2,582
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379CC	379EL	16,674
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379CL	379ER	15,428
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379BB	379DB	7,584
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379CR	379DC	218
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379CS	379DL	6,592
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379BL	379ES	60,679
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379BS	379DS	5,675
Gaining Early Awareness and Readiness for Undergraduate Programs Total				<u>153,034</u>
Total U.S. Department of Education				<u>3,291,998</u>
<u>U.S. Department of Health and Human Services</u>				
Head Start	93.600	Direct	655E	1,499,361
Head Start - Early Head Start	93.600	Direct	655EH	484,383
Head Start	93.600	Direct	655D	18,551
Head Start - Early Head Start	93.600	Direct	655DH	52,720
Head Start Total				<u>2,055,015</u>
Total U.S. Department of Health and Human Services				<u>2,055,015</u>
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
National School Lunchroom	10.555	7750002-18	7750002-18	323,188
National School Lunchroom	10.555	7750002-19	7750002-19	1,390,967
School Breakfast Program	10.553	7760005-18	7760005-18	144,618
School Breakfast Program	10.553	7760005-19	7760005-19	628,917
Summer Food Service Program	10.559	7690024-18	7690024-18	112,360
Child Nutrition Cluster				<u>2,600,050 *</u>
Child & Adult Care Food Program	10.558	7790021-18	7790021-18	12,005
Child & Adult Care Food Program	10.558	7790021-19	7790021-19	69,481
Child & Adult Care Food Program	10.558	7800016-18	7800016-18	600
Child & Adult Care Food Program	10.558	7800016-19	7800016-19	3,527
Child & Adult Care Food Program Total				<u>85,613</u>
Fresh Fruit and Vegetable Program	10.582	7720012-18	7720012-17	4,914
Fresh Fruit and Vegetable Program	10.582	7720012-19	7720012-18	28,784
Fresh Fruit and Vegetable Program Total				<u>33,698</u>
Food Distribution	10.565	057502-10	057502-10	175,748
Total U.S. Department of Agriculture				<u>2,895,109</u>
Total Federal Financial Assistance				<u><u>8,242,122</u></u>

* Tested as major program

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

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Lincoln County School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lincoln County School District, it is not intended to and does not present the financial position, changes in net asset, or cash flows of Lincoln County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – DE MINIMIS COST RATE

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major programs (unmodified):

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.371C 10.553/10.555/10.559	Striving Readers Comprehensive Literacy Program Child Nutrition Services Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported

LINCOLN COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2019

There were no prior year audit findings.

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October 29, 2019

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education
Lincoln County School District
Stanford, 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, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lincoln County School District's basic financial statements, and have issued our report thereon dated October 29, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lincoln 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 Lincoln County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lincoln 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 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 Lincoln 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*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Lincoln County School District in a separate letter dated October 29, 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.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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October 29, 2019

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

Members of the Board of Education
Lincoln County School District
Stanford, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Lincoln 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 Lincoln County School District's major federal programs for the year ended June 30, 2019. Lincoln County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lincoln County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. 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 Lincoln 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 Lincoln County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lincoln 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 Lincoln 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 Lincoln County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lincoln 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lincoln County School District's basic financial statements. We issued our report thereon dated October 29, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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October 29, 2019

MANAGEMENT LETTER

Members of the Board of Education
Lincoln County School District
Stanford, Kentucky

In planning and performing our audit of the financial statements of Lincoln County School District for the year ended June 30, 2019, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year District Recommendations:

2018-1: Prior Year Recommendation:

During prior year testing, there were two instances where a disbursement was paid from a purchase order. More specifically, an invoice or other supporting documentation was not attached to the disbursement. We recommend that all disbursements be supported by appropriate supporting documentation, which is typically an invoice.

Current Year Recommendation:

No instances were found during current year testing.

2018-2: Prior Year Recommendation:

During prior year testing, we noted one instance where a purchase order was approved after-the-fact. That is, the purchase order approval was signed after the date the charge had been incurred. We recommend that a properly approved purchase order be completed prior to goods being purchased or services being committed in accordance with District policies and procedures.

Current Year Recommendation:

No instances were found during current year testing.

2018-3: Prior Year Recommendation:

During prior year testing of payroll transactions, one instance was noted where a substitute teacher was paid a daily rate of \$80.00 but did not have an up-to-date Emergency Substitute Teaching Certificate (or equivalent college credit hours). We recommend that the appropriate certificate or certification be obtained for District personnel.

Current Year Recommendation:

No instances were found during current year testing.

Prior Year Recommendation – School Activity Funds:

2018-4: Prior Year Recommendation:

During prior year testing, one instance was found at Lincoln County High School where a Requisition and Report of Ticket Sales form was not properly completed for tickets sold at a school event. We recommend that persons collecting tickets and money at a gate for any event properly complete the Requisition and Report of Ticket Sales form.

Current Year Status & Recommendation:

No instances were found during current year testing.

2018-5: Prior Year Recommendation:

During prior year testing, it was noted that money was collected for fall festival by McKinney Elementary School. However, a Requisition and Report of Ticket Sales form was not completed for the event. This form should be used for tickets sold for meals, games, admission, et cetera. We recommend that a Requisition and Report of Ticket Sales be properly completed.

Current Year Status & Recommendation:

During current year testing, it was noted that McKinney Elementary School failed to support fall festival ticket sales through use of a Requisition and Report of Ticket Sales form. For support, a multiple receipt form was generated, with totals only being recorded. We recommend that receipt support be generated through use of the Requisition and Report of Ticket Sales form.

Management Response:

We will give instruction to all persons collecting tickets and money to ensure that the appropriate form is properly completed.

Current Year Recommendation – School Activity Funds:

2019-1: Current Year Recommendation:

During current year test, three instances were noted at Lincoln County Middle School and one instance at Waynesburg Elementary of charges being made prior to the issuance of a purchase order. We recommend that a purchase order be issued prior to all charges being made.

Management Response:

We will stress to all school employees that a purchase order is required prior to any charge being made.

2019-2: Current Year Recommendation:

During current year testing, one instance was noted at Hustonville Elementary School of a multiple receipt form lacking support for money received. The multiple receipt form states the total amount received without a list of individuals and the corresponding amounts received from each of them. We recommend that when remitting funds, all individuals 6th grade and above sign their own name and the amount of funds they are turning in. This allows for a detailed proof that the book-keeper and reconcile to the actual amount received.

Management Response:

We will stress to all school employees the requirement for all individuals 6th grade and above to sign their own names and amounts when money is remitted.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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October 29, 2019

Members of the Board of Education
Lincoln County School District
Stanford, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County School District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 23, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Lincoln County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by Lincoln County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Lincoln County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Lincoln County School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 54 and 55, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 56-57 and 60-62, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 58-59 and 63-65, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Lincoln County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants