

Ludlow Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2019
With Independent Auditors' Report**

LUDLOW INDEPENDENT SCHOOL DISTRICT

June 30, 2019

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Independent Auditors' Report

To the Members of the Board of Education
Ludlow Independent School District
Ludlow, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ludlow Independent School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Ludlow Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ludlow Independent School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Independent Auditors' Report (Continued)

Correction of Error

As discussed in Note 18 to the financial statements, an error related to amounts recognized as deferred outflows and inflows related to pension and other postemployment retirement benefit liabilities have been corrected. Accordingly, amounts for prior periods were restated and an adjustment has been made to net position as of June 30, 2018 to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 3-7, 52-53, and 57-66 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ludlow Independent School District's basic financial statements. The information on page 50-51, 54-56, and 67-68 as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 information on page 50-51, 54-56, and 67-68 as listed in the table of contents is 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 information on page 50-51, 54-56, and 67-68 as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019 on our consideration of the Ludlow Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ludlow Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ludlow Independent School District's internal control over financial reporting and compliance.



Crestview Hills, Kentucky
October 15, 2019

LUDLOW INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019

As management of Ludlow Independent Board of Education (Board), the governing body for the Ludlow Independent 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 and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

- The beginning cash balance, including investments, for the District was \$347,477.
- Average Daily Attendance (ADA) for fiscal year 2019 was 754. Over the previous five years we have had a decrease in ADA of about 34. Our attendance trend is shifting due to the fact that our elementary class sizes are larger and are moving in to our high school.
- The General Fund had \$7,806,794 in revenue (net of interfund transfers of \$64,620), which primarily consisted of the state program (SEEK), property taxes, local occupational license taxes, utilities taxes, and motor vehicle taxes. There was \$7,401,593 in General Fund expenditures (net of interfund transfers of \$14,096). Budgeted contingency funds were \$400,000 in the General Fund 2019.
- The ending unassigned fund balance in the General Fund for fiscal year 2019 is \$859,981. This is an increase of \$455,725 from 2018. From year to year the state legislature is requiring the District to absorb more and more mandated expenses, while at the same time they continue to cut grant funding.
- Our primary financial concern continues to be state funding which has not kept up with the increases in operating expenses due to inflation, increased salaries - some of which are a direct result of mandates by the state, and an increasing portion of the retirement shortfall that we have been asked to fund. After many years of not making the necessary contributions to fully fund the Kentucky Teachers' Retirement System (KTRS), the legislature passed along a portion of the funding shortfall to employees and a larger portion to school districts. As a result, our district has paid hundreds of thousands of dollars into the retirement system over the past five years and will pay millions of dollars in the future in an effort to help stabilize the fund. For the first time this year we are also being required to record the portion of the unfunded state liability in our financial statements attributable to our employees, as determined by KTRS. While it remains to be seen if districts, including our own, will end up shouldering more of this deficit over the years to come, if the state does not start responsibly funding the system it can be safely assumed that we will. This will continue to shift more of the responsibility for funding our education system onto the backs of school districts and subsequently local tax payors. The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. In this climate of shrinking state support the Ludlow Independent School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-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.

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

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the 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 district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 8 and 9 of this report.

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

The basic governmental fund financial statements can be found on pages 10 through 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 49 of this report.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a district’s financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$1,182,232 as of June 30, 2019.

The largest portion of the District’s net position reflects its investment in capital assets (i.e. 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 periods ending June 30, 2019 and 2018

The following is a summary of net position for the fiscal years ended June 30, 2019 and 2018.

	2019	2018
Current assets	\$ 1,262,360	\$ 748,787
Noncurrent assets	7,898,159	8,179,409
Total assets	9,160,519	8,928,196
 Total deferred outflows	 818,194	 1,026,441
Current liabilities	553,090	571,622
Noncurrent liabilities	9,817,428	10,597,837
Total liabilities	10,370,518	11,169,459
 Total deferred inflows	 675,943	 303,840
 Net position		
Investment in capital assets (net of debt)	2,648,159	2,529,409
Restricted	(4,460,581)	(4,341,467)
Unrestricted	744,674	293,396
Total net position	\$ (1,067,748)	\$ (1,518,662)

Comments on General Fund Budget Comparisons

- The District’s total General Fund revenues for the fiscal year ended June 30, 2019, including interfund transfers of \$64,620, were \$7,871,414.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$2,209,114 more than budget or approximately 39.0% of the General Fund budget. The majority of this variance is the result of the District recording “on behalf” payments made by the state.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Comments on General Fund Budget Comparisons (Continued)

- The total cost of all General Fund programs and services was \$7,416,170 including interfund transfers of \$14,096.
- General Fund actual expenditures exceeded budgeted expenditures by \$1,353,389. The majority of this variance is the result of the District recording "on behalf" payments made by the state.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 41,937	\$ 42,462
Operating grants and contributions	2,324,527	2,046,938
Capital grants and contributions	479,079	484,008
	<u>2,845,543</u>	<u>2,573,408</u>
Total grant revenues	<u>2,845,543</u>	<u>2,573,408</u>
General revenues:		
Property taxes	2,383,362	2,352,953
Grants and entitlements	2,129,514	7,089,529
Earnings on investments	33,327	13,828
Miscellaneous	(159,275)	762,342
	<u>4,386,928</u>	<u>10,218,652</u>
Total general revenues	<u>4,386,928</u>	<u>10,218,652</u>
Total revenues	<u>7,232,471</u>	<u>12,792,060</u>
Expenses:		
Instruction	2,365,867	7,993,957
Student support services	444,413	502,383
Instructional support	912,451	787,957
District administration	529,251	636,339
School administration	586,995	645,359
Business support	186,751	155,102
Plant operations	732,084	713,731
Student transportation	52,643	52,514
Community support	84,196	76,610
Food service	709,246	685,718
Interest	177,660	190,015
	<u>6,781,557</u>	<u>12,439,685</u>
Total expenses	<u>6,781,557</u>	<u>12,439,685</u>
Excess of revenues over expenses	<u><u>\$ 450,914</u></u>	<u><u>\$ 352,375</u></u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)**

BUDGETARY IMPLICATIONS

Ludlow Independent School District administered federal and state grant funds totaling \$1,329,943. Below is a three-year comparison of our federal and state grant funds:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
State Grants	\$ 465,604	\$ 447,251	\$ 399,043
Federal Grants	\$1,071,746	\$ 882,692	\$ 854,397

The working budget contingency balance in the General Fund for fiscal year 2019 was \$400,000 (6.6%). The Kentucky Department of Education no longer mandates contingency for budgeting purposes. The beginning carry forward balance for 2019 is higher than 2018. With the cuts in state and federal funding, the ability to sustain/grow the carry forward is always an ongoing concern that we keep a cautious eye on. Due to the stress of implementing mandated curriculum changes we will continually have to look at different ways to accomplish the high standards we set for ourselves.

Fiscal year 2020 is already upon us and we are doing our best to balance the financial outlook with what is best for the students of Ludlow Independent School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Michael Borchers, Superintendent, at (859) 261-8210 or by mail at Ludlow Independent School District, 525 Elm St., Ludlow, KY 41016.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – District Wide
As of June 30, 2019**

	Governmental Activities	Business-type Activities	Total
Assets			
Current			
Cash and cash equivalents	\$ 755,391	\$ 170,479	\$ 925,870
Accounts receivable	290,974	27,044	318,018
Inventories for consumption	-	18,472	18,472
Total current	1,046,365	215,995	1,262,360
Noncurrent			
Nondepreciated capital assets:			
Land	391,300	-	391,300
Depreciated capital assets:			
Land improvements	112,189	-	112,189
Buildings and improvements	13,030,049	-	13,030,049
Furniture and equipment	1,111,075	236,872	1,347,947
Less: accumulated depreciation	(6,824,097)	(159,229)	(6,983,326)
Total noncurrent	7,820,516	77,643	7,898,159
Total assets	8,866,881	293,638	9,160,519
Deferred Outflows	748,702	69,492	818,194
Liabilities			
Current			
Current portion of bonds payable	350,000	-	350,000
Accounts payable	75,541	617	76,158
Accrued interest	61,000	-	61,000
Accrued sick leave	4,659	-	4,659
Accrued payroll and related expenses	2,077	-	2,077
Assessed KISBIT liability	7,714	-	7,714
Unearned revenues	51,482	-	51,482
Total current	552,473	617	553,090
Noncurrent			
Accrued sick leave	41,934	-	41,934
CERS net pension liability	1,869,111	82,466	1,951,577
MIF net OPEB liability	2,800,364	123,553	2,923,917
Bond obligations	4,900,000	-	4,900,000
Total noncurrent	9,611,409	206,019	9,817,428
Total liabilities	10,163,882	206,636	10,370,518
Deferred Inflows	633,933	42,010	675,943
Net Position			
Invested in capital assets, net of related debt	2,570,516	77,643	2,648,159
Restricted	(4,497,422)	36,841	(4,460,581)
Unrestricted	744,674	-	744,674
Total net position	\$ (1,182,232)	\$ 114,484	\$ (1,067,748)

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
Governmental Activities:							
Instructional	\$ 2,365,867	\$ 20,510	\$ 718,740	\$ -	\$ (1,626,617)	\$ -	\$ (1,626,617)
Student support services	444,413	-	314,836	-	(129,577)	-	(129,577)
Staff support services	912,451	-	408,206	-	(504,245)	-	(504,245)
District administration	529,251	-	6,849	-	(522,402)	-	(522,402)
School administration	586,995	-	-	-	(586,995)	-	(586,995)
Business support services	186,751	-	-	-	(186,751)	-	(186,751)
Plant operation and maintenance	732,084	-	31,032	-	(701,052)	-	(701,052)
Student transportation	52,643	-	-	-	(52,643)	-	(52,643)
Community service operations	84,196	-	84,196	-	-	-	-
Facility acquisition and construction	-	-	-	479,079	479,079	-	479,079
Interest on long-term debt	177,660	-	-	-	(177,660)	-	(177,660)
Total governmental activities	<u>6,072,311</u>	<u>20,510</u>	<u>1,563,859</u>	<u>479,079</u>	<u>(4,008,863)</u>	<u>-</u>	<u>(4,008,863)</u>
Business-type Activities							
Food service	<u>709,246</u>	<u>21,427</u>	<u>760,668</u>	<u>-</u>	<u>-</u>	<u>72,849</u>	<u>72,849</u>
Total business-type activities	<u>709,246</u>	<u>21,427</u>	<u>760,668</u>	<u>-</u>	<u>-</u>	<u>72,849</u>	<u>72,849</u>
Total school district	<u>\$ 6,781,557</u>	<u>\$ 41,937</u>	<u>\$ 2,324,527</u>	<u>\$ 479,079</u>	<u>(4,008,863)</u>	<u>72,849</u>	<u>(3,936,014)</u>
General revenues:							
Taxes					2,383,362	-	2,383,362
State and federal sources					2,129,514	-	2,129,514
Investment earnings					28,630	4,697	33,327
Miscellaneous					(159,275)	-	(159,275)
Special items:							
Loss on disposal of assets					-	-	-
Transfers					43,021	(43,021)	-
Total general and special revenues					<u>4,425,252</u>	<u>(38,324)</u>	<u>4,386,928</u>
Change in net position					416,389	34,525	450,914
Net position - beginning					<u>(1,352,520)</u>	<u>79,959</u>	<u>(1,272,561)</u>
Prior period adjustment (Note 18)					<u>(246,101)</u>	<u>-</u>	<u>(246,101)</u>
Net position - ending					<u>\$ (1,182,232)</u>	<u>\$ 114,484</u>	<u>\$ (1,067,748)</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current				
Cash (overdraft) and cash equivalents	\$ 760,907	(62,800)	\$ 57,284	\$ 755,391
Accounts receivable	109,419	181,555	-	290,974
Total current assets	<u>\$ 870,326</u>	<u>\$ 118,755</u>	<u>\$ 57,284</u>	<u>\$ 1,046,365</u>
Liabilities and Fund Balance				
Current				
Accounts payable	\$ 8,268	\$ 67,273	\$ -	\$ 75,541
Accrued payroll and related expenses	2,077	-	-	2,077
Unearned revenues	-	51,482	-	51,482
Total current liabilities	<u>10,345</u>	<u>118,755</u>	<u>-</u>	<u>129,100</u>
Fund Balance				
Restricted				
Capital Projects	-	-	53,037	53,037
Other	-	-	4,247	4,247
Unassigned	859,981	-	-	859,981
Total fund balance	<u>859,981</u>	<u>-</u>	<u>57,284</u>	<u>917,265</u>
Total liabilities and fund balance	<u>\$ 870,326</u>	<u>\$ 118,755</u>	<u>\$ 57,284</u>	<u>\$ 1,046,365</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2019**

Total governmental fund balance		\$ 917,265
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in progress	-	
Cost of capital assets	14,644,613	
Accumulated depreciation	<u>(6,824,097)</u>	7,820,516
Deferred outflows for MIF contributions made after the measurement date	151,521	
Deferred outflows related to MIF	134,394	
Deferred outflows for CERS contributions made after the measurement date	153,168	
Deferred outflows related to pensions	<u>309,619</u>	748,702
Deferred inflows related to pensions		(213,713)
Deferred inflows related to MIF		(420,220)
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		(5,250,000)
Accrued interest on bonds		(61,000)
Assessed KISBIT liability		(7,714)
Net pension liability		(1,869,111)
Net OPEB liability		(2,800,364)
Accrued sick leave		<u>(46,593)</u>
Total net position - governmental		<u>\$ (1,182,232)</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
Year Ended June 30, 2019**

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,261,182	\$ -	\$ 122,180	\$ 2,383,362
Earnings on investments	28,584	46	-	28,630
State sources	5,454,894	465,604	479,079	6,399,577
Federal sources	12,390	1,071,746	-	1,084,136
Other sources	49,744	26,509	29,547	105,800
Total revenues	7,806,794	1,563,905	630,806	10,001,505
Expenditures:				
Instructional	4,808,191	729,319	47,906	5,585,416
Student support services	129,577	314,836	-	444,413
Staff support services	502,382	408,206	1,863	912,451
District administration	511,427	6,849	-	518,276
School administration	586,871	-	-	586,871
Business support services	180,742	-	-	180,742
Plant operation and maintenance	638,501	31,032	-	669,533
Student transportation	43,902	-	-	43,902
Community service operations	-	84,196	-	84,196
Facility acquisition and construction	-	-	-	-
Debt service:				
Principal	-	-	400,000	400,000
Interest	-	-	179,660	179,660
Total expenditures	7,401,593	1,574,438	629,429	9,605,460
Excess(deficit) of revenues over expenditures	405,201	(10,533)	1,377	396,045
Other financing sources(uses):				
Operating transfers in	64,620	10,052	429,724	504,396
Operating transfers out	(14,096)	-	(447,279)	(461,375)
Total other financing sources	50,524	10,052	(17,555)	43,021
Net change in fund balance	455,725	(481)	(16,178)	439,066
Fund balance, July 1, 2018	404,256	481	73,462	478,199
Fund balance, June 30, 2019	\$ 859,981	\$ -	\$ 57,284	\$ 917,265

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019**

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

Net changes-governmental funds		\$ 439,066
<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 outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(269,430)	(269,430)
<p>Bond and capital lease 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	400,000	400,000
Deferred outflows related to pensions		(202,146)
Deferred outflows related to other post-employment retirement benefits		(15,910)
Deferred inflows related to pensions		4,942
Deferred inflows related to other post-employment retirement benefits		(353,115)
<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>		
	412,982	
Changes in net position of governmental activities		\$ 416,389

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2019**

	Food Service	Total
Assets		
Current		
Cash and cash equivalents	\$ 170,479	\$ 170,479
Accounts receivable	27,044	27,044
Inventories for consumption	18,472	18,472
Total current	215,995	215,995
Noncurrent		
Furniture and fixtures	236,872	236,872
Less accumulated depreciation	(159,229)	(159,229)
Total noncurrent	77,643	77,643
Total assets	293,638	293,638
Deferred outflows	69,492	69,492
Liabilities		
Current		
Accounts payable	617	617
Total current	617	617
Noncurrent		
CERS net pension liability	82,466	82,466
MIF net OPEB liability	123,553	123,553
Total noncurrent	206,019	206,019
Total liabilities	206,636	206,636
Deferred inflows	42,010	42,010
Net Position		
Invested in assets, net of debt	77,643	77,643
Restricted	36,841	36,841
Unrestricted	-	-
Total net position	\$ 114,484	\$ 114,484

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2019**

	Food Service	Total
Operating revenues:		
Lunchroom sales	\$ 21,075	\$ 21,075
Other operating revenues	352	352
	21,427	21,427
Total operating revenues		
Operating expenses:		
Salaries and benefits	355,233	355,233
Contract services	16,025	16,025
Materials and supplies	317,198	317,198
Depreciation	11,820	11,820
Other operating expenses	8,970	8,970
	709,246	709,246
Total operating expenses		
Operating loss	(687,819)	(687,819)
Nonoperating revenues (expenses):		
Federal grants	635,507	635,507
State grants	83,961	83,961
Donated commodities and other donations	41,200	41,200
Transfers	(43,021)	(43,021)
Interest income	4,697	4,697
	722,344	722,344
Total non operating revenue (expenses)		
Change in net position	34,525	34,525
Total net position, July 1, 2018	79,959	79,959
Total net position, June 30, 2019	\$ 114,484	\$ 114,484

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows - Proprietary Funds
As of June 30, 2019**

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 21,075	\$ 21,075
Cash payments for other activities	(2,448)	(2,448)
Cash payments to employees for services	(363,365)	(363,365)
Cash payments to suppliers for goods and services	(341,504)	(341,504)
Cash transfer	(43,021)	(43,021)
	<u>(729,263)</u>	<u>(729,263)</u>
Net cash used in operating activities		
Cash flows from noncapital financing activities		
Non-operating revenues received	760,668	760,668
	<u>760,668</u>	<u>760,668</u>
Net cash provided by noncapital financing activities		
Cash flows from investing activities		
Interest on investments	4,697	4,697
	<u>4,697</u>	<u>4,697</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	36,102	36,102
Cash and cash equivalents - beginning	134,377	134,377
Cash and cash equivalents - ending	\$ 170,479	\$ 170,479
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (687,819)	\$ (687,819)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	11,820	11,820
Interfund transfers	(43,021)	(43,021)
Changes in assets and liabilities:		
(Increase) in deferred outflows	(9,809)	(9,809)
Increase in deferred inflows	23,930	23,930
(Increase) in inventory	992	992
(Increase) in accounts receivable	(2,800)	(2,800)
Increase in CERS net pension liability	(3,789)	(3,789)
Increase in MIF net OPEB liability	(18,464)	(18,464)
(Decrease) in accounts payable	(303)	(303)
	<u>(729,263)</u>	<u>(729,263)</u>
Net cash used in operating activities		
Schedule of non-cash transactions		
Donated commodities received from federal government	\$ 41,200	\$ 41,200
On-behalf payments	\$ 78,709	\$ 78,709
	<u>\$ 78,709</u>	<u>\$ 78,709</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – Fiduciary Funds
As of June 30, 2019**

	Trust Fund	Activity Funds	Total
Assets			
Current			
Cash and cash equivalents	\$ 41,133	\$ 88,553	\$ 129,686
Total current assets	41,133	88,553	129,686
Total assets	41,133	88,553	129,686
Liabilities			
Due to student groups	-	88,553	88,553
Total liabilities	-	88,553	88,553
Net Position			
Restricted	41,133	-	41,133
Total net position	\$ 41,133	\$ -	\$ 41,133

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2019**

	Trust Fund	Total
Additions		
Investment income	\$ 258	\$ 258
Private donations	11,362	11,362
Total additions	11,620	11,620
Deductions		
Instruction	19,400	19,400
Total deductions	19,400	19,400
Change in net position	(7,780)	(7,780)
Net position - July 1, 2018	48,913	48,913
Net position - June 30, 2019	\$ 41,133	\$ 41,133

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Ludlow Independent 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 Parent-Teacher Associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Ludlow Independent School District Finance Corporation - The Board authorized the establishment of the Ludlow Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Ludlow Independent Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the 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 district-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 district-wide statements and the statements for governmental funds.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with 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 total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 67. This is a major fund of the District.
- (C) Special Revenue Activity Fund is used to support co-curricular activities and are not raised and expended by student groups. District activity funds accounted for in the District bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all District expenditures.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (continued)

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The District is committed to construction contracts in the amount of \$53,037 for ongoing projects.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations).

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

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

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 they can be recognized.

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. 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).

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

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 district-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 district-wide statement of net position and in the respective funds.

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (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:

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

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

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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 District, those revenues are primarily charges for meals provided by the various schools.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 as non-operating 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

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the District's OPEB 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.

NOTE 2 ESTIMATES

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

NOTE 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Land	\$ 391,300	\$ -	\$ -	\$ 391,300
Land improvements	112,189	-	-	112,189
Buildings and improvements	13,030,049	-	-	13,030,049
Technology equipment	749,592	-	-	749,592
Vehicles	167,625	-	-	167,625
General equipment	193,858	-	-	193,858
Totals at historical cost	<u>14,644,613</u>	<u>-</u>	<u>-</u>	<u>14,644,613</u>
Less: accumulated depreciation				
Land improvements	101,756	1,329	-	103,085
Buildings and improvements	5,414,393	233,760	-	5,648,153
Technology equipment	722,152	14,141	-	736,293
Vehicles	148,438	14,090	-	162,528
General equipment	167,928	6,110	-	174,038
Total accumulated depreciation	<u>6,554,667</u>	<u>269,430</u>	<u>-</u>	<u>6,824,097</u>
Governmental activities capital assets - net	<u>\$ 8,089,946</u>	<u>\$ (269,430)</u>	<u>\$ -</u>	<u>\$ 7,820,516</u>
 <u>Business - Type Activities</u>				
General equipment	\$ 160,336	\$ -	\$ -	\$ 160,336
Buildings and improvements	71,290	-	-	71,290
Technology equipment	5,246	-	-	5,246
Totals at historical cost	<u>236,872</u>	<u>-</u>	<u>-</u>	<u>236,872</u>
Less: accumulated depreciation				
General equipment	84,066	8,690	-	92,756
Buildings and improvements	58,671	2,804	-	61,475
Technology equipment	4,672	326	-	4,998
Total accumulated depreciation	<u>147,409</u>	<u>11,820</u>	<u>-</u>	<u>159,229</u>
Business - type activities capital assets - net	<u>\$ 89,463</u>	<u>\$ (11,820)</u>	<u>\$ -</u>	<u>\$ 77,643</u>

Depreciation expense by function for the fiscal year ended June 30, 2019 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instruction	\$ 177,174	\$ -
Staff support services	-	-
District administration	10,975	-
School administration	124	-
Business support services	6,009	-
Plant operation and maintenance	66,407	-
Student transportation	8,741	-
Community services	-	-
Food service	-	11,820
Total	<u>\$ 269,430</u>	<u>\$ 11,820</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2019 this amount totaled approximately \$46,593 for those employees with twenty-seven or more years of experience.

NOTE 6 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
July 1, 2007	\$ 425,000	4.125% - 4.200%
December 1, 2007	915,000	3.600% - 4.000%
February 1, 2014	3,095,000	1.000% - 4.125%
December 1, 2015	835,000	1.000% - 4.125%
June 1, 2016	1,135,000	2.000% - 3.000%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court and the Ludlow Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 17 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2019 for debt service (principal and interest) are reported in Note 17.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
(Continued)

NOTE 7 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

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 and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement benefits are 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. One month's 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 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly average rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

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

The contribution requirement for CERS for the year ended June 30, 2019, was \$200,387, which consisted of \$159,925 from the District and \$40,462 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were \$196,917 and \$202,800, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

General information about the Teachers' Retirement System of the State of Kentucky

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—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided

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

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

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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% 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 KTRS. The contribution requirement for KTRS for the year ended June 30, 2019, was \$692,989, which consisted of \$160,815 from the District and \$532,174 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were \$724,130 and \$766,300, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

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 KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
(Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

Funding policy

In order to fund the post-retirement healthcare benefit, 6.59% of the gross annual payroll of employees before July 1, 2008 is contributed. 3.75% is paid by member contributions, 0.16% is credited to the Commonwealth, and 3.00% is contributed by the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

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

District's proportionate share of the CERS net pension liability	\$ 1,951,577
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>17,276,026</u>
	<u>\$ 19,227,603</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 0.032044%.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2019, the District recognized pension expense of (\$55,825) related to CERS. The District also recognized a reduction of expense of \$3,338,973 and a reduction of revenue of \$3,338,973 for KTRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 63,655	\$ 28,567
Net difference between projected and actual earnings on pension plan investments	90,750	114,150
Changes of Assumptions	190,726	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	9,311	91,992
District contributions subsequent to the measurement date	159,925	-
Total	\$ 514,367	\$ 234,709

\$159,925 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 117,660
2021	49,766
2022	(37,219)
2023	(10,474)
2024	-

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:

	CERS	KTRS
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.5-7.3%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

For CERS, mortality rates used for active members was 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.

For KTRS, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward two years for males and one year for females. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 adopted by the Bard on November 19, 2016.

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

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

<u>Asset Class</u>	<u>KTRS Target Allocation</u>	<u>KTRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	40.0%	4.20%		
US large cap			5.0%	4.50%
US mid cap			6.0%	4.50%
US small cap			6.5%	5.50%
International developed			12.5%	6.50%
Emerging markets			5.0%	7.25%
International Equity	22.0%	5.20%		
Global bonds			4.0%	3.00%
Global credit			2.0%	3.75%
Emerging market debt			5.0%	6.00%
Private equity	7.0%	6.30%	10.0%	6.50%
High yield			7.0%	5.50%
Illiquid private			10.0%	8.50%
Fixed income	15.0%	1.20%		
Additional categories	8.0%	3.30%	10.0%	7.00%
Real estate	6.0%	3.80%	5.0%	9.00%
Alternative returns			10.0%	3.00%
Cash	2.0%	0.90%	2.0%	1.50%
Total	<u>100%</u>		<u>100%</u>	

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 KTRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate

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

	<u>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	2,456,834	1,951,577	1,528,261
KTRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

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

NOTE 8 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

Teaching-certified employees of the Ludlow Independent 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 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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Benefits provided

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

Contributions

In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three 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.

General information about the County Employees Retirement System Non-Hazardous OPEB Plan

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

CERS provides 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. See footnote 7 for tier classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in footnote 7.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

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

At June 30, 2019, the Ludlow Independent School District reported a liability of \$2,923,917 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.12 percent for TRS, which was a decrease of 0.01 percent from its proportion measured as of June 30, 2017 and 0.03 percent for CERS which is the same as its proportion measured as of 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 CERS net OPEB liability	\$ 568,917
District's proportionate share of the TRS net OPEB liability	2,355,000
State's proportionate share of the net OPEB liability associated with the District	<u>2,029,000</u>
	<u><u>\$ 4,952,917</u></u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

For the year ended June 30, 2019, the District recognized OPEB expense of (\$11,754) and revenue of \$104,172 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual performance	\$ -	\$ 187,300
Net difference between projected and actual earnings on OPEB plan investments	-	49,187
Change of Assumptions	145,621	1,314
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	203,433
District contributions subsequent to the measurement date	158,206	-
Total	\$ 303,827	\$ 441,234

Of the total amount reported as deferred outflows of resources related to OPEB, \$158,206 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	\$ (55,719)
2021	(55,719)
2022	(55,719)
2023	(43,108)
2024	(58,670)
Thereafter	(26,678)

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (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:

	TRS	CERS
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.	7.5%
Projected salary increases	3.50 - 7.20%, including inflation	4.00%, average
Inflation rate	3.00%	3.25%
Real Wage Growth	0.50%	
Wage Inflation	3.50%	
Healthcare cost trend rates		
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.
Medicare Part B Premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030	
Municipal Bond Index Rate	3.89%	3.62%
Discount Rate	8.00%	5.85%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation	

For TRS, 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.

For CERS, mortality rates were based on RP-2000 Combined Mortality Table projected to 2013 with projection scale BB and set back 1 year for females.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

For TRS, 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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Actuarial assumptions (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:

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

Discount rate

For TRS, 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.

For CERS, 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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
TRS			
Districts' net OPEB liability	\$ 2,761,000	\$ 2,355,000	\$ 2,016,000
	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
CERS			
Districts' net OPEB liability	\$ 738,932	\$ 568,917	\$ 424,095

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease	Current Discount	1% Increase
TRS			
Districts' net OPEB liability	\$ 1,952,783	\$ 2,355,000	\$ 2,851,233
	1% Decrease	Current Discount	1% Increase
CERS			
Districts' net OPEB liability	\$ 423,564	\$ 568,917	\$ 740,246

OPEB plan fiduciary net position

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

Life Insurance Plan

Plan description

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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

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.

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

At June 30, 2019, the Ludlow Independent 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	\$	-
State's proportionate share of the net OPEB liability associated with the District		35,000
	\$	35,000

For the year ended June 30, 2019, the District recognized OPEB expense of \$-0- and revenue of \$1,209 for support provided by the State.

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

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, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

<u>Asset Class*</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Large Cap Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash (LIBOR)	2.0%	0.9%
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*

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Discount rate

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

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's net 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.

NOTE 9 CONTINGENCIES

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and 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 the programs.

NOTE 10 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 are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. 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.

NOTE 12 DEFICIT OPERATING/FUND BALANCES

The District currently has no funds with a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Trust/Agency Fund	\$	7,780
Special Revenue Activity Fund		20,222
Mary A. Goetz Elementary		3,757

NOTE 13 COBRA

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

NOTE 14 CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust (KSBIT) in which the District purchases general liability and workers' compensation insurance. As of June 30, 2019, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$7,714. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 15 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Food Service Fund	General Fund	Indirect Costs Transfers	\$ 43,021
General Fund	Construction fund	Operations	\$ 4,044
Capital Outlay Fund	Building Fund	Operations	\$ 50,202
General Fund	Special Revenue	Matching	\$ 10,052
Building Fund	Debt Service Fund	Debt Service	\$ 349,613
Capital Outlay Fund	General Fund	Operations	\$ 21,599
Construction Fund	Construction Fund	Construction	\$ 25,865

NOTE 16 ON-BEHALF PAYMENTS

For the year ended June 30, 2019 total payments of \$2,370,044 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 2,061,288
Debt Service	230,047
Food Service	<u>78,709</u>
Total On-Behalf	<u>\$ 2,370,044</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 SCHEDULE OF LONG-TERM OBLIGATIONS

2007, 2007B, 2014, 2015-REF, and 2016 Issues

FISCAL YEAR	Ludlow Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2019-2020	\$ 204,740	\$ 105,009	\$ 309,749	\$ 145,260	\$ 65,850	\$ 211,110	\$ 520,859
2020-2021	208,214	100,808	309,022	151,786	61,475	213,261	522,283
2021-2022	211,550	96,292	307,842	153,452	56,770	210,222	518,064
2022-2023	214,620	91,087	305,707	160,380	51,707	212,087	517,794
2023-2024	222,506	85,414	307,920	162,492	46,410	208,902	516,822
2024-2025	230,160	79,075	309,235	169,840	40,712	210,552	519,787
2025-2026	237,671	72,290	309,961	175,329	34,670	209,999	519,960
2026-2027	181,309	64,736	246,045	158,691	28,092	186,783	432,828
2027-2028	184,190	58,720	242,910	145,810	22,416	168,226	411,136
2028-2029	191,875	52,180	244,055	68,125	18,470	86,595	330,650
2029-2030	199,283	44,775	244,058	72,717	15,875	88,592	332,650
2030-2031	206,589	37,245	243,834	73,411	13,140	86,551	330,385
2031-2032	213,787	29,542	243,329	76,213	10,383	86,596	329,925
2032-2033	220,883	21,474	242,357	79,117	7,476	86,593	328,950
2033-2034	227,784	13,039	240,823	82,216	4,418	86,634	327,457
2034-2035	58,682	4,317	62,999	16,318	1,158	17,476	80,475
2035-2036	58,184	2,564	60,748	16,816	661	17,477	78,225
2036-2037	56,373	845	57,218	13,627	204	13,831	71,049
	<u>\$ 3,328,400</u>	<u>\$ 959,412</u>	<u>\$ 4,287,812</u>	<u>\$ 1,921,600</u>	<u>\$ 479,887</u>	<u>\$ 2,401,487</u>	<u>\$ 6,689,299</u>

A summary of the changes in the principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2019 is as follows:

Governmental Activities	Balance July 1, 2018	Additions	Payments	Balance June 30, 2019
Bond Obligations	<u>\$ 5,650,000</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 5,250,000</u>
Sick Leave	<u>\$ 36,290</u>	<u>\$ 34,330</u>	<u>\$ 24,027</u>	<u>\$ 46,593</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 CORRECTION OF AN ERROR

During the year ended June 30, 2019, amounts were corrected for deferred outflows and deferred inflows related to the net pension liability and the net OPEB liability that were overstated in prior years. The following shows the effect on the preceding period change in net position for the prior period adjustment as well as the cumulative effect on the change in net position as of the beginning of fiscal year 2019.

	As Previously Reported	Prior Period Adjustment	As restated
Deferred outflows, as of June 30, 2018	\$ 1,389,692	\$ (363,251)	\$ 1,026,441
Deferred inflows, as of June 30, 2018	420,990	(117,150)	303,840
Cumulative effect of the change on net position as of July 1, 2018	\$ (3,952,447)	\$ (246,101)	\$ (4,198,548)

NOTE 19 SUBSEQUENT EVENTS

Subsequent events were considered through October 15, 2019, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2019**

	Special Revenue Activity Fund	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Non-major Government Funds
Assets						
Current:						
Cash and cash equivalents	\$ 4,247	\$ -	\$ -	\$ 53,037	\$ -	\$ 57,284
Total current	<u>\$ 4,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,037</u>	<u>\$ -</u>	<u>\$ 57,284</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Restricted:						
Capital projects	-	-	-	53,037	-	53,037
Other	4,247	-	-	-	-	4,247
Total fund balances	<u>4,247</u>	<u>-</u>	<u>-</u>	<u>53,037</u>	<u>-</u>	<u>57,284</u>
Total liabilities and fund balances	<u>\$ 4,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,037</u>	<u>\$ -</u>	<u>\$ 57,284</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
As of June 30, 2019**

	Special Revenue Activity Fund	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Nonmajor Government Funds
Revenues:						
Taxes	\$ -	\$ -	\$ 122,180	\$ -	\$ -	\$ 122,180
State sources	-	71,801	177,231	-	230,047	479,079
Other sources	29,547	-	-	-	-	29,547
Total revenues	29,547	71,801	299,411	-	230,047	630,806
Expenditures:						
Instructional	47,906	-	-	-	-	47,906
Staff support services	1,863	-	-	-	-	1,863
Debt service:						
Principal	-	-	-	-	400,000	400,000
Interest	-	-	-	-	179,660	179,660
Total expenditures	49,769	-	-	-	579,660	629,429
Excess (deficit) of revenues over expenditures	(20,222)	71,801	299,411	-	(349,613)	1,377
Other Financing Sources (Uses)						
Operating transfers in	-	-	50,202	29,909	349,613	429,724
Operating transfers out	-	(71,801)	(349,613)	(25,865)	-	(447,279)
Total other financing sources(uses)	-	(71,801)	(299,411)	4,044	349,613	(17,555)
Net change in fund balance	(20,222)	-	-	4,044	-	(16,178)
Fund balance, July 1, 2018	24,469	-	-	48,993	-	73,462
Fund balance, June 30, 2019	<u>\$ 4,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,037</u>	<u>\$ -</u>	<u>\$ 57,284</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 2,130,000	\$ 2,130,000	\$ 2,261,182	\$ 131,182
Earnings on investments	5,000	5,000	28,584	23,584
State sources	3,449,300	3,449,300	5,454,894	2,005,594
Federal sources	10,000	10,000	12,390	2,390
Other sources	68,000	68,000	114,364	46,364
Total revenues	5,662,300	5,662,300	7,871,414	2,209,114
Expenditures				
Instructional	3,348,937	3,348,937	4,808,191	(1,459,254)
Student support services	113,388	113,388	129,577	(16,189)
Staff support services	377,608	377,608	502,382	(124,774)
District administration	478,472	478,472	511,427	(32,955)
School administration	443,702	443,702	586,871	(143,169)
Business support services	157,372	157,372	180,742	(23,370)
Plant operation and maintenance	696,148	696,148	638,501	57,647
Student transportation	31,673	31,673	43,902	(12,229)
Other	415,000	415,000	14,096	400,904
Total expenditures	6,062,300	6,062,300	7,415,689	(1,353,389)
Net change in fund balance	(400,000)	(400,000)	455,725	855,725
Fund balance, July 1, 2018	400,000	400,000	404,256	4,256
Fund balance, June 30, 2019	\$ -	\$ -	\$ 859,981	\$ 859,981

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
State sources	\$ 341,465	\$ 446,349	\$ 465,604	\$ 19,255
Federal sources	750,390	752,389	1,071,746	319,357
Other sources	16,860	20,000	36,607	16,607
	<u>1,108,715</u>	<u>1,218,738</u>	<u>1,573,957</u>	<u>355,219</u>
Expenditures				
Instructional	624,277	723,002	729,319	(6,317)
Student support services	246,843	248,843	314,836	(65,993)
Staff support services	120,791	135,960	408,206	(272,246)
District administration	13,647	6,471	6,849	(378)
Plant operation and maintenance	21,032	21,032	31,032	(10,000)
Community service operations	82,125	83,430	84,196	(766)
	<u>1,108,715</u>	<u>1,218,738</u>	<u>1,574,438</u>	<u>(355,700)</u>
Net change in fund balance	-	-	(481)	(481)
Fund balance, July 1, 2018	<u>-</u>	<u>-</u>	<u>481</u>	<u>481</u>
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2019**

	<u>Issue of 2007</u>	<u>Issue of 2007B</u>	<u>Issue of 2009</u>	<u>Issue of 2014</u>
Cash at July 1, 2018	\$ -	\$ -	\$ -	\$ -
Receipts:				
Transfers and miscellaneous deposits	<u>30,267</u>	<u>65,472</u>	<u>193,230</u>	<u>147,728</u>
Disbursements:				
Bonds paid	20,000	45,000	190,000	45,000
Interest coupons	<u>10,267</u>	<u>20,472</u>	<u>3,230</u>	<u>102,728</u>
Total disbursements	<u>30,267</u>	<u>65,472</u>	<u>193,230</u>	<u>147,728</u>
Excess of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash at June 30, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Issue of 2015</u>	<u>Issue of 2016</u>	<u>Total</u>
Cash at July 1, 2018	\$ -	\$ -	\$ -
Receipts:			
Transfers and miscellaneous deposits	<u>84,569</u>	<u>58,394</u>	<u>579,660</u>
Disbursements:			
Bonds paid	70,000	30,000	400,000
Interest coupons	<u>14,569</u>	<u>28,394</u>	<u>179,660</u>
Total disbursements	<u>84,569</u>	<u>58,394</u>	<u>579,660</u>
Excess of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Cash at June 30, 2019	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Ludlow Independent High School Activity Fund
For the Year Ended June 30, 2019**

Account #	Fund Balance July 1, 2018	Receipts	Disbursements	Fund Balance June 30, 2019
100 Principal's Ohlce	\$ 689	\$ 1,533	\$ 1,465	\$ 757
105 Postage	54	-	11	43
110 Staff Generated	62	-	-	62
140 Ludlow Christian Scholars	10,728	647	1,000	10,375
180 Service Learning	414	-	-	414
190 Central Office	907	1,553	-	2,460
200 Book Rental	-	5,620	5,620	-
210 Student Fees	2,835	10,130	8,931	4,034
220 Technology	1,518	1,581	3,000	99
300 Athletic AD	4,658	33,385	36,539	1,504
305 Softball	756	3,620	3,551	825
310 Volleyball	1,894	12,018	11,090	2,822
315 Soccer	-	-	-	-
320 Track	571	4,102	3,828	845
325 Baseball	1,361	4,551	4,820	1,092
330 Football	1,637	40,558	34,528	7,667
335 MS Cheerleading	133	156	195	94
340 HS Cheerleading	3,389	4,636	5,389	2,636
345 Boys Basketball	751	8,212	8,389	574
350 Girls Basketball	4,542	13,706	14,122	4,126
355 Cross Country	190	655	775	70
360 Band	1,950	9,153	9,840	1,263
365 Band Drinks	134	113	-	247
400 Student Council	288	805	805	288
405 March Madness	73	-	-	73
410 NHS	1,209	5,244	5,120	1,333
420 SADD	141	210	25	326
430 HS Drama	979	-	-	979
435 MS Drama	842	-	-	842
460 FCA	198	-	-	198
480 Yearbook	1,850	5,091	2,917	4,024
490 Academic Team	7	-	-	7
500 Class of 2021	256	43	299	-
501 Class of 2022	251	89	340	-
504 Class of 2019	1,790	1,573	2,725	638
505 Class of 2020	221	4,296	4,066	451
900 Holding	300	3,017	2,696	621
902 Student Recognition	325	1	270	56
903 Box Tops for Education	229	138	110	257
904 Misc	-	400	194	206
905 Life Skills	95	400	71	424
908 ACT	-	1,177	1,177	-
909 MS Track	-	3,186	1,290	1,896
910 MS Basketball - Boys	2,405	-	2,135	270
911 MS Basketball - Girls	84	1,811	1,827	68
912 MS Football	1,859	3,700	1,380	4,179
913 MS Basketball	1,889	3,237	2,665	2,461
Total	\$ 54,464	\$ 190,347	\$ 183,205	\$ 61,606

LUDLOW INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
School Activity Fund
For the Year Ended June 30, 2019

	<u>Mary A. Goetz Elementary</u>	<u>Total</u>
Fund balances at July 1, 2018	\$ 30,704	\$ 30,704
Add: receipts	20,018	20,018
Less: disbursements	<u>(23,775)</u>	<u>(23,775)</u>
Fund balance at June 30, 2019	<u>\$ 26,947</u>	<u>\$ 26,947</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of the Net Pension Liability – KTRS

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability	0%	0%	0%	0%	0%	*	*	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
State's proportionate share of the net pension liability associated with the District	<u>17,276,026</u>	<u>37,666,022</u>	<u>40,545,833</u>	<u>31,903,351</u>	<u>25,919,015</u>	*	*	*	*	*
Total	<u><u>\$ 17,276,026</u></u>	<u><u>\$ 37,666,022</u></u>	<u><u>\$ 40,545,833</u></u>	<u><u>\$ 31,903,351</u></u>	<u><u>\$ 25,919,015</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>
District's covered-employee payroll	\$ 4,323,779	\$ 4,543,022	\$ 4,402,858	\$ 4,303,489	\$ 3,021,774	\$ 4,319,097	\$ 4,132,256	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	59.27%	39.83%	35.22%	42.49%	45.59%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: None

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

Changes of assumption: In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

Changes of assumption: In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

Changes of assumption: In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation for the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

Changes of assumption: In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

Changes of assumption: In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – KTRS

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 160,815	\$ 168,307	\$ 182,258	\$ 174,775	\$ 139,870	\$ 74,613	\$ 72,559	\$ 78,412	*	*
Contributions in relation to the contractually required contribution	<u>(160,815)</u>	<u>(168,307)</u>	<u>(182,258)</u>	<u>(174,775)</u>	<u>(139,870)</u>	<u>(74,613)</u>	<u>(72,559)</u>	<u>(78,412)</u>	*	*
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	*	*
District's covered-employee payroll	\$ 4,139,817	\$ 4,323,779	\$ 4,543,022	\$ 4,402,858	\$ 4,303,489	\$ 3,021,774	\$ 4,319,097	\$ 4,132,256	*	*
Contributions as a percentage of of covered-employee payroll	3.88%	3.89%	4.01%	3.97%	3.25%	2.47%	1.68%	1.90%	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability – CERS

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of net pension liability	0.03204%	0.03431%	0.03384%	0.03694%	0.03518%	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 1,951,577	\$ 2,008,387	\$ 1,666,254	\$ 1,588,116	\$ 1,141,000	*	*	*	*	*
Total net pension liability	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000	*	*	*	*	*
District's covered-employee payroll	\$ 803,973	\$ 845,309	\$ 821,411	\$ 875,953	\$ 700,766	\$ 828,178	\$ 845,139	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	242.7%	237.6%	202.9%	181.3%	162.8%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: 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).

2015: 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.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.5% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – CERS

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2010	2009
Contractually required contribution	\$ 159,925	\$ 154,202	\$ 157,904	\$ 140,132	\$ 154,780	\$ 132,374	\$ 161,909	\$ 160,239	*	*
Contributions in relation to the contractually required contribution	<u>(159,925)</u>	<u>(154,202)</u>	<u>(157,904)</u>	<u>(140,132)</u>	<u>(154,780)</u>	<u>(132,374)</u>	<u>(161,909)</u>	<u>(160,239)</u>	<u>*</u>	<u>*</u>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 744,530	\$ 803,973	\$ 845,309	\$ 821,411	\$ 875,953	\$ 700,766	\$ 828,178	\$ 845,139	*	*
Contributions as a percentage of covered-employee payroll	21.48%	19.18%	18.68%	17.06%	17.67%	18.89%	19.55%	18.96%	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net OPEB Liability - LIF

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0%	0%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	\$ 35,000	\$ 29,000	*	*	*	*	*	*	*	*
Total net OPEB liability	\$ 35,000	\$ 29,000	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 4,323,779	\$ 4,543,022	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	74.97%	79.99%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

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, 2015
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	3.50%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions - LIF

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ -	\$ -	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	*	*	*	*	*	*	*	*
Contribution deficiency	-	-	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$4,139,817	\$4,323,779	*	*	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net OPEB Liability - MIF

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0.067859%	0.073402%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 2,355,000	\$ 2,617,000	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	\$ 2,029,000	\$ 2,138,000	*	*	*	*	*	*	*	*
Total net OPEB liability	\$ 4,384,000	\$ 4,755,000	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 803,973	\$ 845,309	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	292.9%	309.6%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	25.54%	21.18%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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.

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

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
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).

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions - MIF

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 120,878	\$ 125,758	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(120,878)	(125,758)	*	*	*	*	*	*	*	*
Contribution deficiency	-	-	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 744,530	\$ 803,973	*	*	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	16.24%	15.64%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

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.

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

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
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).

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net OPEB Liability – MIF (CERS)

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0.032043%	0.034312%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 568,917	\$ 689,789	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	*	*	*	*	*	*	*	*
Total net OPEB liability	\$ 568,917	\$ 689,789	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 803,973	\$ 845,309	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	70.8%	81.6%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in assumptions:

1. The assumed investment return was changed from 7.50% to 6.25%.
2. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.
3. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.
4. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%.

2018: Updated health care trend rates were implemented.

LUDLOW INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions– MIF (CERS)

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 37,328	\$ 39,515	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(37,328)</u>	<u>(39,515)</u>	*	*	*	*	*	*	*	*
Contribution deficiency	<u>-</u>	<u>-</u>	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 744,530	\$ 803,973	*	*	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	5.01%	4.91%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 6/30/2019</u>
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027A	3810002 18	1,345
Special Education_Grants to States	84.027A	3810002 19	195,016
Special Education_Preschool Grants	84.173A	3800002 18	3,162
Special Education_Preschool Grants	84.173A	3800002 19	10,635
Total Special Education Cluster			210,158
Title I Grants to Local Educational Agencies	84.010A	3100002 18	45,377
Title I Grants to Local Educational Agencies	84.010A	3100002 19	221,177
Total CFDA #84.010			266,554
Arts in Education PDAE	84.351C	32817001 18	279,046
Title II Improving Teacher Quality State Grants	84.367A	3230002 19	36,081
Twenty-First Century Community Learning Centers	84.287C	3400002 18	106,976
Twenty-First Century Community Learning Centers	84.287C	3400002 19	141,899
Title IV Student Support and Academic Enrichment Grant	84.424A	3420002 18	10,000
Title IV Student Support and Academic Enrichment Grant	84.424A	3420002 19	21,032
Total U.S. Department of Education			1,071,746
<u>U.S. Department of Agriculture</u>			
<i>Passed through Kentucky Department of Education</i>			
Child Nutrition Cluster			
Summer Food Service Program for Children	10.559	7740023 18	33,900
National School Lunch Program	10.555	7750002 19	398,840
School Breakfast Program	10.558	7790021 19	110,257
Child and Adult Food Program	10.553	7760005 19	92,510
			635,507
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	41,200
Total Child Nutrition Cluster			676,707
Total U.S. Department of Agriculture			676,707
Total Expenditures of Federal Awards			\$ 1,748,453

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. 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.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2019, the District reported food commodities expended in the amount of \$41,200.

NOTE 4 - INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

NOTE 5 – SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2019.

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

To the Members of the Board of Education
Ludlow Independent School District
Ludlow, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ludlow Independent School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Ludlow Independent School District's basic financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
October 15, 2019

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

Members of the Board of Education
Ludlow Independent School District
Ludlow, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ludlow Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ludlow Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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

Report on Internal Control Over Compliance

Management of Ludlow Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ludlow Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ludlow Independent School District's internal control over compliance.

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

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

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



Crestview Hills, Kentucky
October 15, 2019

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report 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 weaknesses? _____ Yes X None noted
- 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 weaknesses? _____ Yes X None noted

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 Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

CFDA No.	Name of Federal Program or Cluster
10.553/10.555/10.558/10.559	Child Nutrition Cluster

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 FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2019**

Reference Number	Summary of Finding	Status
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SECTION I -SUMMARY OF AUDITOR'S RESULTS

No matters were reportable.

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reportable.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters were reportable.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Management Letter Comments Year Ended June 30, 2019

In planning and performing our audit of the financial statements of Ludlow Independent School District for the year ended June 30, 2019, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated October 15, 2019 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated October 15, 2019, on the financial statements of the Ludlow Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

Statement of Deficiency: It was noted that the incorrect indirect cost rate was used for multiple months of the 2018-2019 FY.

Management Response: Rate was corrected and the Board of Education will verify that the correct rates are used for the 2020 FY.

ACTIVITY FUNDS

Ludlow High School

Statement of Deficiency: Principal did not sign three of the standard invoices in testing.

Management Response: Superintendent will ensure proper signature from the Principal on all Standard Invoices.

Statement of Deficiency: It was noted that two of the disbursements tested did not include a Purchase Order.

Management Response: Principal will ensure that the bookkeeper enters purchase orders for all disbursements.

Ludlow Elementary School

Statement of Deficiency: It was noted that one purchase order had not proper authorization.

Management Response: Principal will ensure that bookkeeper gets authorized purchase orders in FY 2020.

Statement of Deficiency: It was noted that gift cards were purchased from the activity funds.

Management Response: Principal will ensure that no gift cards are purchased through activity fund accounts.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2019**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Ludlow High School

No matters are reportable.

Ludlow Elementary School

No matters are reportable.