

LYON COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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**LYON COUNTY SCHOOL DISTRICT
JUNE 30, 2019**

BOARD OF EDUCATION

Denny Gray, Chairperson
Dr. Kent Schoonover, Vice Chairperson
Jim Bannister, Member
Bradford Richie, Member
Joshua Patton, Member

ADMINISTRATIVE STAFF

Russ Tilford, Superintendent
Marla Holloman, Finance Officer

SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA, CFE

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DUGUID, GENTRY & ASSOCIATES, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Kentucky State Committee
for School District Audits
Members of the Board of Education
Lyon County School District
Eddyville, 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 Lyon County School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. 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 District'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 District'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 District as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and postemployment benefits schedules on pages 4-12, 66-68, and 69-77 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and combining individual school activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (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 combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements, and the schedule of

expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lyon County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lyon County School District's internal control over financial reporting and compliance.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LYON COUNTY SCHOOL DISTRICT – EDDYVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

As management of the Lyon County School District (the “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 audit.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$2,685,039, as compared with the beginning cash balance of \$2,726,388. The ending cash balance consisted of General Fund of \$1,900,926, Special Revenue Fund of \$34,226, Construction Fund of \$314,300, Other Governmental Funds of \$370,863, Food Service Fund of (\$42,711), Day Care (\$22,705) and School Activity Funds of \$128,140.
- Total government-wide net position increased \$566,486, which included a prior period adjustment of \$77,373 for the fiscal year ended June 30, 2019. Total noncurrent obligations had a net decrease of \$632,629, while the unrestricted net position decreased \$128,074 and restricted net position increased \$80,482.
- The General Fund had \$8,301,474 in revenues, which primarily consisted of the state program (SEEK) funds, property, utilities and motor vehicle taxes and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues increased in comparison to prior year revenues of \$7,992,272. Excluding interfund transfers, there were \$8,143,835 in General Fund expenditures. This compares to \$7,970,989 in General Fund expenditures for the prior year.
- The financial statements reflect a total of \$2,272,651 of revenues and aid from the state for payments made by the state on-behalf of district employees for retirement contributions, health insurance, technology and debt service. A like amount of expenses is also recorded in the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

**LYON COUNTY SCHOOL DISTRICT – EDDYVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

Government-wide financial statements – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and deferred outflows of resources, and the District’s liabilities and deferred inflows of resources – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- Governmental activities – All of the District’s basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of the activities.

Fund Financial Statements – The fund financial statements provide more detailed information about the District’s *funds*, focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

**LYON COUNTY SCHOOL DISTRICT – EDDYVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District’s proprietary funds are food service and day care. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds* – The District is a fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of student activities funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

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

Other information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 78.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,452,061 as of June 30, 2019.

A significant portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles and furniture and equipment) less any outstanding related debt used to acquire those assets. 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.

**LYON COUNTY SCHOOL DISTRICT – EDDYVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

Following is a summary of the District’s government-wide net position as of June 30, 2019 and 2018:

Net Position as of June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		District Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current assets and other assets	\$ 2,810,047	\$ 2,775,438	\$ 66,980	\$ 15,063	\$ 2,877,027	\$ 2,790,501
Capital assets	11,213,621	11,159,137	35,310	39,370	11,248,931	11,198,507
Total assets	14,023,668	13,934,575	102,290	54,433	14,125,958	13,989,008
Deferred outflows	1,039,879	1,055,584	131,901	165,211	1,171,780	1,220,795
Liabilities						
Current liabilities	216,461	217,823	63,416	67,059	279,877	284,882
Long-term debt	11,549,101	12,170,097	506,338	517,971	12,055,439	12,688,068
Total liabilities	11,765,562	12,387,920	569,754	585,030	12,335,316	12,972,950
Deferred Inflows	458,770	304,400	51,591	46,878	510,361	351,278
Net position						
Net Investment in capital assets	5,519,622	4,901,484	35,310	39,370	5,554,932	4,940,854
Restricted	851,452	770,970	-	-	851,452	770,970
Unrestricted	(3,531,859)	(3,374,615)	(422,464)	(451,634)	(3,954,323)	(3,826,249)
Total net position	\$ 2,839,215	\$ 2,297,839	\$ (387,154)	\$ (412,264)	\$ 2,452,061	\$ 1,885,575

Change in net position. The District’s governmental activities net position increased by \$541,376, which included a prior period adjustment of \$77,373 for year ended June 30, 2019. The business-type activities net position increased by \$25,110.

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment by the SFCC of \$71,307. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net assets on the government-wide statements.

The District’s financial position is the product of many factors. For example, the determination of the District’s investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

**LYON COUNTY SCHOOL DISTRICT – EDDYVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

Following is a summary of changes in the District’s net position for the years ended June 30, 2019 and 2018:

Changes in Net Position for the Fiscal Years Ended June 30, 2019 and 2018

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program revenues:						
Operating grants and contributions	\$ 3,074,810	\$ 3,013,694	\$ 524,711	\$ 413,452	\$ 3,599,521	\$ 3,427,146
Capital grants and contributions	422,306	386,307	-	-	422,306	386,307
Charges for services	-	-	90,377	49,651	90,377	49,651
General revenues:						
Property taxes	3,148,784	3,043,472	-	-	3,148,784	3,043,472
Other taxes	1,030,838	1,030,181	-	-	1,030,838	1,030,181
Investment earnings	41,099	1,563	-	-	41,099	1,563
State aid	2,030,118	1,975,072	47,845	41,597	2,077,963	2,016,669
Other	522,051	528,106	2,236	1,675	524,287	529,781
Total revenues	<u>10,270,006</u>	<u>9,978,395</u>	<u>665,169</u>	<u>506,375</u>	<u>10,935,175</u>	<u>10,484,770</u>
Expenses						
Instruction	5,591,638	5,656,991	-	-	5,591,638	5,656,991
Support services:						
Student	679,442	606,825	-	-	679,442	606,825
Instructional staff	550,438	537,603	-	-	550,438	537,603
District administration	384,481	473,192	-	-	384,481	473,192
School administration	535,424	524,896	-	-	535,424	524,896
Business	258,900	238,574	-	-	258,900	238,574
Plant operations and maintenance	1,122,914	1,041,686	-	-	1,122,914	1,041,686
Student transportation	459,739	452,679	-	-	459,739	452,679
Community service activities	90,538	84,782	-	-	90,538	84,782
Building acquisition and construction	-	7,744	-	-	-	7,744
Interest on long-term debt	132,489	88,528	-	-	132,489	88,528
Other	-	-	-	-	-	-
Day care	-	-	134,820	-	134,820	-
Food service	-	-	505,239	562,516	505,239	562,516
Total expenses	<u>9,806,003</u>	<u>9,713,500</u>	<u>640,059</u>	<u>562,516</u>	<u>10,446,062</u>	<u>10,276,016</u>
Increase (Decrease) in net position	<u>\$ 464,003</u>	<u>\$ 264,895</u>	<u>\$ 25,110</u>	<u>\$ (56,141)</u>	<u>\$ 489,113</u>	<u>\$ 208,754</u>

**LYON COUNTY SCHOOL DISTRICT – EDDYVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$2,673,702 an increase of \$29,003 in comparison with the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2019 and 2018.

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District’s activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants’ guidelines.

The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent property tax equivalent. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

**LYON COUNTY SCHOOL DISTRICT – EDDYVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

Following is a summary of fund balances as of June 30, 2019 and 2018:

Governmental Funds Balances as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Governmental Funds			
General Fund	\$ 1,988,539	\$ 2,040,018	\$ (51,479)
Special Revenue Fund	-	-	-
Building Fund	122,808	70,205	52,603
Construction Fund	314,300	368,941	(54,641)
Capital Outlay Fund	248,055	165,535	82,520
Debt Service Fund	-	-	-
Total governmental funds	<u>\$ 2,673,702</u>	<u>\$ 2,644,699</u>	<u>\$ 29,003</u>

General Fund – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,793,593, while total fund balance reached \$2,673,702. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 22.02% of total General Fund expenditures, while total fund balance represents 24.42% of that same amount.

During the current fiscal year, the total fund balance of the General Fund decreased by \$51,479. Revenues and transfers totaling \$8,305,279, increased by \$310,429, while expenditures and transfers totaling \$8,356,758, increased by \$368,563.

**LYON COUNTY SCHOOL DISTRICT – EDDYVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the budgets of the District’s funds are prepared to account for most transactions on a cash receipt/cash disbursement/encumbrance basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2.00% contingency. The District adopted a General Fund budget with a contingency of 5.95%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by DOE.

As noted on the Budgetary Comparison Schedule for the General Fund contained in the Required Supplementary Information, the General Fund budget did not include \$2,158,630 of state payments on-behalf of District employees for retirement and health benefits. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2019, excluding interfund transfers, beginning balances and on-behalf payments, were \$6,142,844; compared to the total budgeted revenues of \$5,436,880.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2019, excluding interfund transfers and on-behalf payments, were \$5,985,205; compared to the total budgeted expenditures of \$7,279,856.
- The fund balance at the end of the 2019 fiscal year for all Governmental Funds was \$2,673,702 compared to \$2,644,699 in the prior year.

Fund 2 is made up of local, state and federal grants. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies and transportation.

Funds 310 and 320 are restricted funds for capital projects. The State contributes to Fund 310.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2019, the District had \$11,248,931 invested in capital assets net of depreciation: historical costs totaled \$18,663,892 with accumulated depreciation totaling \$7,414,961. These assets include school, athletic and support facilities, as well as technology, food service and other equipment. Expenditures for acquisitions and improvements during the year totaled \$460,202. Depreciation charged to expense during the year totaled \$405,869, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

**LYON COUNTY SCHOOL DISTRICT – EDDYVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

Following is a summary of capital assets, net of depreciation, as of June 30, 2019 and 2018:

Net Capital Assets as of June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		District Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 223,109	\$ 223,109	\$ -	\$ -	\$ 223,109	\$ 223,109
Land improvements	-	1	-	-	-	1
Construction in progress	175,590	-	-	-	175,590	-
Building and improvements	10,322,820	10,494,768	20,235	21,419	10,343,055	10,516,187
Technology equipment	15,775	15,772	1	1	15,776	15,773
General equipment	39,815	46,633	-	-	39,815	46,633
Vehicles	436,512	378,854	-	-	436,512	378,854
Food service equipment	-	-	15,074	17,950	15,074	17,950
Total	<u>\$ 11,213,621</u>	<u>\$ 11,159,137</u>	<u>\$ 35,310</u>	<u>\$ 39,370</u>	<u>\$ 11,248,931</u>	<u>\$ 11,198,507</u>

Long-Term Debt – The District’s long-term general obligation bonds outstanding at June 30, 2019 were \$6,065,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$726,898 of the bonds leaving the District to pay \$5,338,102. The liability for compensated absences decreased from \$123,091 in the prior year to \$118,825 for the year ending June 30, 2019.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 4 to the financial statements.

OUTLOOK FOR THE FUTURE

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding.

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations and demonstrate the District’s commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Superintendent or District finance personnel (270) 388-9715 ext. 405 or by mail at 217 Jenkins Road, Eddyville, KY 42038.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

**LYON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,620,315	\$ -	\$ 2,620,315
Accounts receivable:			
Taxes	87,563	-	87,563
Other	-	53,162	53,162
Intergovernmental - state	-	-	-
Intergovernmental - indirect federal	102,169	-	102,169
Inventory	-	13,818	13,818
Capital assets:			
Non-depreciable	398,699	-	398,699
Depreciable (net)	10,814,922	35,310	10,850,232
 Total assets	 <u>14,023,668</u>	 <u>102,290</u>	 <u>14,125,958</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension and OPEB	<u>1,039,879</u>	<u>131,901</u>	<u>1,171,780</u>
 Total deferred outflows of resources	 <u>1,039,879</u>	 <u>131,901</u>	 <u>1,171,780</u>
LIABILITIES			
Current liabilities:			
Cash overdraft	-	63,416	63,416
Accrued payroll and related expenses	(50)	-	(50)
Unearned revenue	136,395	-	136,395
Interest payable	65,801	-	65,801
Long-term obligations:			
Portion due or payable within one year:			
Bonds payable	645,000	-	645,000
Accrued compensated absences	14,315	-	14,315
Portion due or payable after one year:			
Bonds payable	5,363,299	-	5,363,299
Accrued compensated absences	104,510	-	104,510
Net pension liability and OPEB	5,436,292	506,338	5,942,630
 Total liabilities	 <u>11,765,562</u>	 <u>569,754</u>	 <u>12,335,316</u>

Continued

LYON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION, continued
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred pension and OPEB	\$ 458,770	\$ 51,591	\$ 510,361
Total deferred inflows of resources	<u>458,770</u>	<u>51,591</u>	<u>510,361</u>
NET POSITION			
Invested in capital assets, net of related debt	5,519,622	35,310	5,554,932
Restricted	851,452	-	851,452
Unrestricted	<u>(3,531,859)</u>	<u>(422,464)</u>	<u>(3,954,323)</u>
Total net position	<u>\$ 2,839,215</u>	<u>\$ (387,154)</u>	<u>\$ 2,452,061</u>

See accompanying notes to financial statements

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

<u>Functions/Programs</u>	Program Revenues			Net (Expenses) Revenues	
	Expenses	Charges for Services	Operating Grants & Contributions		Capital Grants & Contributions
Governmental Activities:					
Current:					
Instruction	\$ 5,591,638	\$ -	\$ 2,231,921	\$ -	\$ (3,359,717)
Support services:					
Student	679,442	-	302,017	-	(377,425)
Instructional staff	550,438	-	115,496	-	(434,942)
District administration	384,481	-	82,594	-	(301,887)
School administration	535,424	-	113,505	-	(421,919)
Business	258,900	-	48,725	-	(210,175)
Plant operations and maintenance	1,122,914	-	55,765	-	(1,067,149)
Student transportation	459,739	-	43,734	-	(416,005)
Community service activities	90,538	-	81,053	-	(9,485)
Other	50,820	-	-	-	(50,820)
Interest on long-term debt	132,489	-	-	422,306	289,817
Total governmental activities	9,856,823	-	3,074,810	422,306	(6,359,707)
Business-Type Activities:					
Food service	505,239	57,281	524,711	-	76,753
Day care	134,820	33,096	-	-	(101,724)
Total business-type activities	640,059	90,377	524,711	-	(24,971)
Total activities	\$ 10,496,882	\$ 90,377	\$ 3,599,521	\$ 422,306	\$ (6,384,678)

Continued

**LYON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Position			
Net revenues (expenses)	\$ (6,359,707)	\$ (24,971)	\$ (6,384,678)
General Revenues			
Taxes:			
Property	3,148,784	-	3,148,784
Motor vehicle	520,502	-	520,502
Utilities	510,336	-	510,336
Investment earnings	41,099	-	41,099
State aid	2,030,118	47,845	2,077,963
Donations / contributions	50,820	-	50,820
Gain (loss) on sale of fixed assets	(104)	-	(104)
Miscellaneous	522,155	2,236	524,391
Total general revenues	<u>6,823,710</u>	<u>50,081</u>	<u>6,873,791</u>
Change in net position	<u>464,003</u>	<u>25,110</u>	<u>489,113</u>
Net position, July 1, 2018	2,297,839	(412,264)	1,885,575
Prior period adjustment (Note 17)	<u>77,373</u>	<u>-</u>	<u>77,373</u>
Net position, July 1, 2018, restated	<u>2,375,212</u>	<u>(412,264)</u>	<u>1,962,948</u>
Net position, June 30, 2019	<u>\$ 2,839,215</u>	<u>\$ (387,154)</u>	<u>\$ 2,452,061</u>

See accompanying notes to financial statements

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**LYON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,900,926	\$ 34,226	\$ 314,300	\$ 370,863	\$ 2,620,315
Accounts receivable:					
Taxes	87,563	-	-	-	87,563
Intergovernmental - indirect federal	-	102,169	-	-	102,169
Total assets	<u>\$ 1,988,489</u>	<u>\$ 136,395</u>	<u>\$ 314,300</u>	<u>\$ 370,863</u>	<u>\$ 2,810,047</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related expenses	(50)	-	-	-	(50)
Accrued compensated absences	-	-	-	-	-
Unearned revenue	-	136,395	-	-	136,395
Total liabilities	<u>(50)</u>	<u>136,395</u>	<u>-</u>	<u>-</u>	<u>136,345</u>
Fund balances					
Nonspendable	-	-	-	-	-
Spendable:					
Restricted	166,289	-	314,300	370,863	851,452
Committed	11,848	-	-	-	11,848
Assigned	16,809	-	-	-	16,809
Unassigned	1,793,593	-	-	-	1,793,593
Total fund balances	<u>1,988,539</u>	<u>-</u>	<u>314,300</u>	<u>370,863</u>	<u>2,673,702</u>
Total liabilities and fund balances	<u>\$ 1,988,489</u>	<u>\$ 136,395</u>	<u>\$ 314,300</u>	<u>\$ 370,863</u>	<u>\$ 2,810,047</u>

See accompanying notes to financial statements

**LYON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total fund balance per fund financial statements		\$ 2,673,702
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$18,454,557, and the accumulated depreciation is \$7,240,936.		
		11,213,621
Pension and postemployment benefits related items:		
Deferred outflow of resources		1,039,879
Deferred inflow of resources		(458,770)
Unfunded pension and postemployment benefits liabilities		(5,436,292)
Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bond obligations	\$ (6,008,299)	
Interest payable on bonds	(65,801)	
Noncurrent portion of accumulated sick leave	<u>(118,825)</u>	<u>(6,192,925)</u>
Net position for governmental activities		<u>\$ 2,839,215</u>

See accompanying notes to financial statements

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

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
From local sources:					
Taxes					
Property	\$ 2,739,736	\$ -	\$ -	\$ 409,048	\$ 3,148,784
Motor vehicle	520,502	-	-	-	520,502
Utilities	510,336	-	-	-	510,336
Other	-	-	20,999	-	20,999
Earnings on investments	41,093	6	-	-	41,099
Other local revenues	427,171	94,984	-	-	522,155
Intergovernmental - state	4,009,294	340,548	-	153,827	4,503,669
Intergovernmental - federal	53,342	619,224	-	-	672,566
Total revenues	8,301,474	1,054,762	20,999	562,875	9,940,110
EXPENDITURES					
Current:					
Instruction	4,544,626	777,709	-	-	5,322,335
Support services:					
Student	509,075	170,367	-	-	679,442
Instructional staff	541,041	9,397	-	-	550,438
District administration	383,273	-	-	-	383,273
School administration	535,096	-	-	-	535,096
Business	234,741	24,080	-	-	258,821
Plant operations and maintenance	873,553	-	-	-	873,553
Student transportation	522,430	-	-	-	522,430
Community service activities	-	90,538	-	-	90,538
Building acquisition and construction	-	-	271,234	-	271,234
Debt service	-	-	-	427,752	427,752
Total expenditures	8,143,835	1,072,091	271,234	427,752	9,914,912
Excess (deficit) of revenues over (under) expenditures	157,639	(17,329)	(250,235)	135,123	25,198
Other financing sources (uses)					
Proceeds from disposal of fixed assets	3,805	-	-	-	3,805
Operating transfers in	-	52,256	195,594	356,445	604,295
Operating transfers out	(212,923)	(34,927)	-	(356,445)	(604,295)
Total other financing sources (uses)	(209,118)	17,329	195,594	-	3,805
Net changes in fund balances	(51,479)	-	(54,641)	135,123	29,003
Fund balances, July 1, 2018	2,040,018	-	368,941	235,740	2,644,699
Fund balances, June 30, 2019	\$ 1,988,539	\$ -	\$ 314,300	\$ 370,863	\$ 2,673,702

See accompanying notes to financial statements

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

Net change in fund balance - Total governmental funds \$ 29,003

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

Donation of fixed assets 50,820

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlay in the current period:

Capital outlay	\$ 409,382	
Depreciation expense	(401,809)	
Net capital outlay	<u>7,573</u>	7,573

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position (3,909)

Bond proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the government funds financial statements but is a reduction of the liability in the statement of net position.

Bond repayments - District	295,000	
Bond repayments - KDE - Series 2002	330,000	
Net decrease in bonds	<u>625,000</u>	625,000

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:

Deferred pension and postemployment benefits amounts	(249,013)	
Discount on bond issuance	(6,705)	
Accumulated sick leave-noncurrent portion	4,266	
Accrued interest on bonds	6,968	
Net decrease in expenditures	<u>(244,484)</u>	(244,484)

Change in net position of governmental activities \$ 464,003

See accompanying notes to financial statements

PROPRIETARY FUNDS FINANCIAL STATEMENTS

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

	<u>School Food Service Fund</u>	<u>Day Care Fund</u>	<u>Total</u>
ASSETS			
Current assets			
Inventory	\$ 13,818	\$ -	\$ 13,818
Accounts receivable	53,162	-	53,162
Total current assets	<u>66,980</u>	<u>-</u>	<u>66,980</u>
Noncurrent assets			
Capital assets	209,335	-	209,335
Less: accumulated depreciation	<u>(174,025)</u>	<u>-</u>	<u>(174,025)</u>
Total noncurrent assets	<u>35,310</u>	<u>-</u>	<u>35,310</u>
Total assets	<u>102,290</u>	<u>-</u>	<u>102,290</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension and OPEB	<u>109,192</u>	<u>22,709</u>	<u>131,901</u>
Total deferred outflows of resources	<u>109,192</u>	<u>22,709</u>	<u>131,901</u>
LIABILITIES			
Current liabilities			
Cash overdraft	<u>42,711</u>	<u>20,705</u>	<u>63,416</u>
Total current liabilities	<u>42,711</u>	<u>20,705</u>	<u>63,416</u>
Long-term liabilities			
Net pension liability and OPEB	<u>419,161</u>	<u>87,177</u>	<u>506,338</u>
Total long-term liabilities	<u>419,161</u>	<u>87,177</u>	<u>506,338</u>
Total liabilities	<u>461,872</u>	<u>107,882</u>	<u>569,754</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension and OPEB	<u>42,709</u>	<u>8,882</u>	<u>51,591</u>
Total deferred inflows of resources	<u>42,709</u>	<u>8,882</u>	<u>51,591</u>
NET POSITION			
Invested in capital assets, net of related debt	35,310	-	35,310
Unrestricted	<u>(328,409)</u>	<u>(94,055)</u>	<u>(422,464)</u>
Total net position	<u>\$ (293,099)</u>	<u>\$ (94,055)</u>	<u>\$ (387,154)</u>

See accompanying notes to financial statements

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

	School Food Service Fund	Day Care Fund	Total
OPERATING REVENUES			
Lunchroom sales	\$ 57,281	\$ -	\$ 57,281
Day care fees	-	33,096	33,096
Other revenue	2,111	125	2,236
Total operating revenues	<u>59,392</u>	<u>33,221</u>	<u>92,613</u>
OPERATING EXPENSES			
Salaries and wages	222,728	108,279	331,007
Materials and supplies	281,992	8,682	290,674
Depreciation	4,061	-	4,061
Contract services	(3,542)	17,859	14,317
Total operating expenses	<u>505,239</u>	<u>134,820</u>	<u>640,059</u>
Operating income (loss)	<u>(445,847)</u>	<u>(101,599)</u>	<u>(547,446)</u>
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	487,682	-	487,682
Donated commodities	37,029	-	37,029
State grants	5,131	-	5,131
State on-behalf payments	35,170	7,544	42,714
Total non-operating revenues (expenses)	<u>565,012</u>	<u>7,544</u>	<u>572,556</u>
Change in net position	<u>119,165</u>	<u>(94,055)</u>	<u>25,110</u>
Net position, July 1, 2018	<u>(412,264)</u>	<u>-</u>	<u>(412,264)</u>
Net position, June 30, 2019	<u>\$ (293,099)</u>	<u>\$ (94,055)</u>	<u>\$ (387,154)</u>

See accompanying notes to financial statements

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

	School Food Service Fund	Day Care Fund	Total
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	\$ 5,115	\$ 33,096	\$ 38,211
Other activities	2,111	125	2,236
Cash paid to/for:			
Employees	(234,518)	(27,385)	(261,903)
Supplies	(245,605)	(8,682)	(254,287)
Contract services	3,542	(17,859)	(14,317)
Net cash provided (used) by operating activities	<u>(469,355)</u>	<u>(20,705)</u>	<u>(490,060)</u>
Cash flows from noncapital financing activities			
Government grants	<u>492,813</u>	<u>-</u>	<u>492,813</u>
Net cash provided (used) by noncapital financing activities	<u>492,813</u>	<u>-</u>	<u>492,813</u>
Cash flows from investing activities			
Purchase of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	23,458	(20,705)	2,753
Cash and cash equivalents as of July 1, 2018	<u>(66,169)</u>	<u>-</u>	<u>(66,169)</u>
Cash and cash equivalents as of June 30, 2019	<u><u>\$ (42,711)</u></u>	<u><u>\$ (20,705)</u></u>	<u><u>\$ (63,416)</u></u>

Continued

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

	School Food Service Fund	Day Care Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (445,847)	\$ (101,599)	\$ (547,446)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	4,061	-	4,061
Donated commodities	37,029	-	37,029
State on-behalf payments	35,170	7,544	42,714
Change in assets and liabilities:			
Accounts receivable	(52,166)	-	(52,166)
Inventory	248	-	248
Deferred pension and postemployment benefits amounts	(46,960)	73,350	26,390
Accounts payable	(890)	-	(890)
Net cash provided (used) by operating activities	\$ (469,355)	\$ (20,705)	\$ (490,060)
Schedule of non-cash transactions:			
Donated commodities received from Federal government	\$ 37,029	\$ -	\$ 37,029
On-behalf payments	35,170	7,544	42,714

See accompanying notes to financial statements

FIDUCIARY FUNDS FINANCIAL STATEMENTS

**LYON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	Agency Funds
ASSETS	
Cash and cash equivalents	<u>\$ 128,140</u>
Total assets	<u>128,140</u>
 LIABILITIES	
Due to student groups	<u>128,140</u>
Total liabilities	<u>128,140</u>
 NET POSITION	<u><u>\$ -</u></u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Lyon County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Lyon County 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". 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 District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as band boosters, parent-teacher associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. 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. In 1990, the Board authorized the establishment of the Lyon County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act, 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 Lyon County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Interfund activity is eliminated to avoid "doubling up" revenues and expenses.

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

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by programs 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 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.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, state and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues or expenditures comprise at least 10% of total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

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

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.

The *Special Revenue (Grant) Fund* includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

Capital Projects 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).

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan.

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.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Proprietary Funds

Proprietary funds are used to account for ongoing organizations and activities which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The funds' principal operating revenues are food service charges and daycare fees. Operating expenses include salaries, benefits, supplies and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two proprietary funds:

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

The *Child Care Fund* accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *Uniform Program of Accounting for School Activity Funds*. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

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

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

Revenues – Exchange and Non-exchange Transactions:

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. “Available” means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means expected to be received within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are 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 to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses and changes in net position as an expense and as a donated commodities revenue (nonoperating revenue).

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2019, to finance the General Fund operations were \$.449 per \$100 valuation for real property, \$.449 per \$100 valuation for business tangible personal property and \$.436 per \$100 valuation for motor vehicles.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from those estimates.

Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2019. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The District considers demand deposits, money market funds and time deposits that are nonnegotiable, to be cash and cash equivalents, for governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statement of cash flows.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITs), derivatives and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments, for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Commingled assets that are not traded on a national exchange are valued by the commingled manager. The District performs due diligence reviews of the investment pricing, process and infrastructure of private equity, commingled and real estate investments to assure that the asset values provided by the managers are available.

Net appreciation (depreciation is determined by calculating the change in fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to the District's investment operations, as well as the internal administrative expenses directly related to the District's investment program. The District had no investments at June 30, 2019.

Prepaid Expenditures

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

Inventories

Inventories are valued at cost, which approximates market. The School Food Service Fund uses the specific identification method and the General Fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3).

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. 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 interfund balances.

Capital Assets

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

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 does not possess any infrastructure. The District maintains a capitalization threshold of \$5,000 with the exception of real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

All reported capital assets except land and construction in progress 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 Fund capital assets and Proprietary Fund assets:

<u>Description</u>	<u>Estimated Lives for Depreciation</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
General equipment	5-10 years

Accrued Liabilities and Long-Term Obligations

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

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 and contractually required pension contributions 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.

Debt Premium and Discounts

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, OPEB and OPEB expense, information about the fiduciary net position of the County Employees Retirement System ("CERS") and Teacher's Retirement System of the State of Kentucky ("TRS") 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, 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.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category: the deferred outflows of resources relate to the net pension liability described in Note 10 and the OPEB liability described in Note 11.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category: the deferred inflows of resources relate to the net pension liability as described in Note 10 and the OPEB liability described in Note 11.

Fund Balances

In the fund financial statements, governmental fund balances are classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education's formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or Management. The board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds, when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed, assigned and then unassigned fund balances.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

Net positions represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Subsequent Events

Subsequent events have been evaluated through November 12, 2019, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At fiscal year end, the carrying amounts of the District's deposits were \$2,685,039 and the bank balances were \$3,312,238. Of the District's bank balance, \$500,000 was covered by Federal Deposit Insurance with the remaining balance of \$2,812,238 covered by collateral agreements with securities.

The carrying amounts are reflected in the financial statements as follows:

Governmental funds	\$	2,620,315
Proprietary funds		(63,416)
Fiduciary funds		128,140
Total	\$	2,685,039

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets not depreciated:				
Land	\$ 223,109	\$ -	\$ -	\$ 223,109
Construction in progress	-	322,054	146,464	175,590
Total nondepreciable historical cost	<u>223,109</u>	<u>322,054</u>	<u>146,464</u>	<u>398,699</u>
Capital assets depreciated:				
Land improvements	724,533	-	-	724,533
Buildings and improvements	15,243,912	154,208	25,397	15,372,723
Technology equipment	272,246	-	163,475	108,771
General equipment	359,672	-	86,705	272,967
Vehicles	1,499,258	130,404	52,798	1,576,864
Total depreciable historical cost	<u>18,099,621</u>	<u>284,612</u>	<u>328,375</u>	<u>18,055,858</u>
Less: accumulated depreciation				
Land improvements	724,532	1	-	724,533
Building and improvements	4,749,146	322,256	21,499	5,049,903
Technology equipment	256,472	-	163,476	92,996
General equipment	313,039	6,802	86,689	233,152
Vehicles	1,120,404	72,750	52,802	1,140,352
Total accumulated depreciation	<u>7,163,593</u>	<u>401,809</u>	<u>324,466</u>	<u>7,240,936</u>
Total depreciable historical cost - net	<u>10,936,028</u>	<u>(117,197)</u>	<u>3,909</u>	<u>10,814,922</u>
Governmental activities capital assets - net	<u>\$ 11,159,137</u>	<u>\$ 204,857</u>	<u>\$ 150,373</u>	<u>\$ 11,213,621</u>

The balance in construction in progress is not shown on the Annual Financial Report of the District.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – CAPITAL ASSETS, continued

Business-Type Activities	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets depreciated:				
Buildings and improvements	\$ 59,229	\$ -	\$ -	\$ 59,229
Technology equipment	3,163	-	1,653	1,510
Food service equipment	171,268	-	22,672	148,596
	<u>233,660</u>	<u>-</u>	<u>24,325</u>	<u>209,335</u>
Total depreciable historical cost	233,660	-	24,325	209,335
Less: accumulated depreciation				
Buildings and improvements	37,810	1,184	-	38,994
Technology equipment	3,162	-	1,653	1,509
Food service equipment	153,318	2,876	22,672	133,522
	<u>194,290</u>	<u>4,060</u>	<u>24,325</u>	<u>174,025</u>
Total accumulated depreciation	194,290	4,060	24,325	174,025
Business-type activities capital assets - net	<u>\$ 39,370</u>	<u>\$ (4,060)</u>	<u>\$ -</u>	<u>\$ 35,310</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Instruction	\$ 83,120
Support services:	
District administration	1,208
School administration	328
Business	79
Plant operation and maintenance	249,361
Student transportation	<u>67,713</u>
	<u>\$ 401,809</u>

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 – LONG-TERM OBLIGATIONS

The District issues bonds to provide funds for the acquisition and construction of major capital facilities and improvements. The original amount of the issue, the dates and interest rates are summarized below:

<u>Issue</u>	<u>Proceeds</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance June 30, 2019</u>
2002	\$ 3,900,000	1.60%-4.40%	2023	\$ 1,485,000
2010	275,000	3.00%-3.50%	2020	180,000
2012	5,080,000	0.65%-3.30%	2032	3,880,000
2013	685,000	1.70%-4.00%	2033	520,000

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

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

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

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 – LONG-TERM OBLIGATIONS, continued

Year	Lyon County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2020	\$ 595,965	\$ 161,896	\$ 49,035	\$ 22,271	\$ 829,167
2021	614,779	141,961	50,221	21,085	828,046
2022	643,551	120,835	51,449	19,857	835,692
2023	667,244	98,273	52,756	18,550	836,823
2024	270,834	83,386	54,166	17,140	425,526
2025-2029	1,478,356	306,958	296,644	59,889	2,141,847
2030-2033	1,067,373	77,811	172,627	12,119	1,329,930
	<u>\$ 5,338,102</u>	<u>\$ 991,120</u>	<u>\$ 726,898</u>	<u>\$ 170,911</u>	<u>\$ 7,227,031</u>

Changes in the long-term liability accounts during the year are summarized below:

	Balance July 1, 2018	New Issues/ Adjustments	Debt Payments/ Adjustments	Balance June 30, 2019	Amounts Due within One Year
Bonds payable:					
Revenue bonds	\$ 6,690,000	\$ -	\$ 625,000	\$ 6,065,000	\$ 645,000
Less premium (discount)	(63,406)	-	(6,705)	(56,701)	-
Total bonds payable	<u>6,626,594</u>	<u>-</u>	<u>618,295</u>	<u>6,008,299</u>	<u>645,000</u>
Other liabilities:					
Compensated absences					
Governmental	123,091	-	6,101	116,990	14,315
Total other liabilities	<u>123,091</u>	<u>-</u>	<u>6,101</u>	<u>116,990</u>	<u>14,315</u>
Totals	<u>\$ 6,749,685</u>	<u>\$ -</u>	<u>\$ 624,396</u>	<u>\$ 6,125,289</u>	<u>\$ 659,315</u>

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 – LONG-TERM OBLIGATIONS, continued

As explained in Note 1, payments on the District’s bonds are made by the Debt Service Fund. The compensated absences and lease obligations will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

NOTE 5 – COMPENSATED ABSENCES

Upon retirement from the school system, employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave and personal leave is the amount expected to be funded with current year’s economic financial resources. These amounts are recorded in the account “accrued sick leave payable” in the General Fund. Management has estimated there will be an expenditure of \$14,315 for school year 2020. Management has estimated the long-term obligation will be approximately \$104,510.

NOTE 6 – FUND BALANCE REPORTING

Following is a summary of designations of Fund Balance at June 30, 2019:

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:					
Future construction	166,289	-	-	-	166,289
Capital outlay	-	-	314,300	-	314,300
SFCC escrow	-	-	-	370,863	370,863
Committed:					
Sick leave	11,848	-	-	-	11,848
Assigned					
Site-based carryforward	16,809	-	-	-	16,809
Unassigned	1,793,593	-	-	-	1,793,593
	<u>\$ 1,988,539</u>	<u>\$ -</u>	<u>\$ 314,300</u>	<u>\$ 370,863</u>	<u>\$ 2,673,702</u>

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 – 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>
General	Special Revenue	KETS matching for technology	\$ 17,329
General	Construction	Memorial Greenhouse Project	20,004
General	Construction	Year-end transfer	175,590
Special Revenue	Special Revenue	Interfund project transfer	34,927
Construction	Debt Service	Bond payments	<u>356,445</u>
			<u>\$ 604,295</u>

NOTE 8 – DEFICIT OPERATING FUND BALANCES

The District had two funds with deficit net positions, Food Service (\$293,099) and Day Care (\$94,055). Also, the following had a current year deficit of revenues over expenses: General Fund (\$51,479), Construction Fund (\$54,641) Day care of (\$94,055).

NOTE 9 – ON-BEHALF PAYMENTS

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2019:

Health insurance	\$ 991,042
Life insurance	1,527
Administrative fee	12,548
Health reimbursement account - HRS/dental/vision	<u>42,971</u>
	1,048,088
Federal reimbursements of health benefits	<u>(51,893)</u>
	996,195
Kentucky Teacher's Retirement System	1,161,558
Technology	43,591
Debt Service	<u>71,307</u>
	<u>\$ 2,272,651</u>

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements as follows:

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 – ON-BEHALF PAYMENTS, continued

Governmental activities:	
General Fund	\$ 2,158,630
Debt Service Fund	71,307
Business-type activities:	
Food Service Fund	35,170
Day Care Fund	7,544
	\$ 2,272,651

NOTE 10 – PENSION PLANS

The District participates in the County Employees’ Retirement System (CERS), a blended component unit of the Commonwealth of Kentucky, and the Teachers’ Retirement System of the State of Kentucky (TRS), a blended unit of the Commonwealth of Kentucky. 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 have been determined on the same basis as they are reported by TRS and CERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

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

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

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years’ service or 65 years old At least 5 years’ service and 55 years old At least 25 years’ service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 – December 31, 2013 At least 5 years’ service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years’ service and 60 years old

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – PENSION PLANS, continued

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 is determined using these updated benefit provisions.

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

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

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

At June 30, 2019, The District reported a liability of \$3,027,003 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was based on the actuarial valuation date of June 30, 2017 rolled forward to the June 30, 2018, using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2018 contributions to the pension plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.049702%.

For the year ended June 30, 2019, the District recognized pension expense of \$465,286. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – PENSION PLANS, continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 98,732	\$ 44,309
Change of assumptions	295,826	-
Net differences between projected and actual earnings on pension plan investments	140,758	177,053
Changes in proportion and difference between District contributions and proportionate share of contributions	8,434	9,347
District contributions subsequent to the measurement date	225,359	-
 Total	 \$ 769,109	 \$ 230,709

\$225,359 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 of resources to pensions will be recognized in pension expense as follows:

Years Ended June 30	
2020	\$ 238,040
2021	124,883
2022	(33,634)
2023	(16,248)
2024	-
Thereafter	-
 Total	 \$ 313,041

Actuarial assumptions – The total pension liability, net pension liability and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled forward from valuation date (June 30, 2017) to the plan’s fiscal year ending June 30, 2018, using generally accepted actuarial principles. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013. The most recent experience study was conducted in 2018 and will be used in the June 30, 2019 actuarial valuation for the Fiscal Year 2020 audit.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – PENSION PLANS, continued

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

Inflation	2.30%
Projected salary increases	3.05%
Investment rate of return, net of investment expense and inflation	6.25%

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

Long – term rate of return - 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.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – PENSION PLANS, continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equity	17.50%	14.50%
International equity*	17.50%	13.75%
Global bonds	4.00%	3.00%
Global credit	2.00%	3.75%
High yield	7.00%	7.50%
Emerging market debt	5.00%	6.00%
Private credit	10.00%	8.50%
Real estate*	5.00%	9.00%
Absolute return	10.00%	5.00%
Real return*	10.00%	7.00%
Private equity	10.00%	6.50%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	

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

Discount rate – The discount rate used to measure the total pension liability for the measurement periods with years ended June 30, 2018 was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year (closed) amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – PENSION PLANS, continued

	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 3,810,684	\$ 3,027,003	\$ 2,370,416

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

Payable to the pension plan -- At June 30, 2019 the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

General information about the Teachers’ Retirement System of the State of Kentucky (“TRS”)

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

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

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

Participants who 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 members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members 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% 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.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – PENSION PLANS, continued

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

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

Contributions – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to TRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members 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.

At June 30, 2019, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support and the total portion of the net pension liability that was associated with the District were as follows:

Commonwealth's proportionate share of KTRS net pension liability associated with the District.	<u>\$ 14,775,044</u>
	<u><u>\$ 14,775,044</u></u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures.

For the year ended June 30, 2019, the District recognized pension expense of \$1,785,037 and revenue of \$1,785,037 for support provided by the State.

Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – PENSION PLANS, continued

Valuation date	June 30, 2017
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	3.50%-7.30%, including inflation
Inflation rate	3.00%
Municipal bond index rate	3.56%
Discount rate	4.49%

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 projections of Scale AA to 2020 with a setback of 1 year for females. The result of the experience study for the period July 1 2010 - June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equity	42.00%	4.20%
International equity	20.00%	5.20%
Fixed income	15.00%	1.20%
Additional categories*	8.00%	3.30%
Real estate	6.00%	3.80%
Private equity	7.00%	6.30%
Cash	2.00%	0.90%
Total	<u>100.00%</u>	

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

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 – PENSION PLANS, continued

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at actuarially determined contribution rates, adjusted by 95%, for all fiscal years in the future. and the additional amounts appropriated for fiscal years 2017 and 2018. 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 until the 2040 plan year. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The change in the discount rate from the 4.49% used in the 2017 disclosure reports is considered a change in actuarial assumptions or other inputs under GASB 68.

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of TRS

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the County Employees Retirement Systems Non-Hazardous OPEB Plan

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute Sections 61.510, 61.515, 61.702, 78.520 and 78.630. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances. The District participates in the Non-Hazardous plan.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. KRS contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.652, 61.962 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands.

There was no legislation enacted during the 2018 legislative session that had a material change in benefit provisions for either system for this valuation period.

Contributions: The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5%. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2019, participating employers contributed 5.26%, of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contribution to the insurance fund from the District were \$73,082 for the years ended June 30, 2019. The OPEB contribution amount does not include the implicit subsidy reported in the amount of \$14,239.

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

At June 30, 2019, the District reported a liability of \$882,627 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on the District's share of 2018 contributions to the OPEB plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion for was 0.049712%.

For the year ended June 30, 2019, the District recognized OPEB expense of \$112,149.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 102,858
Changes of assumptions	176,274	2,039
Net difference between projected and actual earnings on pension plan investments	-	60,796
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,959
District contributions subsequent to the measurement date	<u>73,082</u>	<u>-</u>
Total	<u>\$ 249,356</u>	<u>\$ 167,652</u>

For the year ended June 30, 2019, \$73,082 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending June 30</u>	
2020	\$ 2,687
2021	2,687
2022	2,687
2023	14,495
2024	(8,122)
Thereafter	<u>(5,812)</u>
Total	<u>\$ 8,622</u>

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Actuarial Assumptions

The total OPEB liability, net OPEB liability and sensitivity information as of June 30, 2018 were based on actuarial valuation date of June 30, 2017. The total OPEB liability was rolled forward from the valuation date (June 30, 2017) to the plan’s fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

Valuation date	June 30, 2017
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.05%, average
Investment rate of return	6.25%
Healthcare cost trend rates (pre-65)	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare cost trend rates (post-65)	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

The mortality table for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back on year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (make mortality rates are set back four years).

The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Return</u>
US equity	17.50%	14.50%
International equity	17.50%	13.75%
Global bonds	4.00%	3.00%
Global credit	2.00%	3.75%
High yield	7.00%	5.50%
Emerging market debt	5.00%	6.00%
Private credit	10.00%	8.50%
Real estate	5.00%	9.00%
Absolute return	10.00%	5.00%
Real return	10.00%	7.00%
Private equity	10.00%	6.50%
Cash	2.00%	1.50%
Total	<u><u>100.00%</u></u>	

*Long-term expected real rates of return may vary by plans depending on the risk tolerance

Discount rate: The projection of cash flows used to determine the discount rate of 5.85% for CERS Non-hazardous, and 5.97% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the net OPEB liability as of June 30, 2018, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

	1% Decrease	Current Discount Rate	1% Increase
	4.85%	5.85%	6.85%
District's proportionate share of net OPEB liability	\$ 1,146,391	\$ 882,627	\$ 657,948

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 net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 657,124	\$ 882,627	\$ 1,148,429

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

Payable to the OPEB plan: At June 30, 2018, the District reported a payable of \$0 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2019.

General Information about the Teachers' Retirement System of Kentucky (TRS) OPEB Plan

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

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

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Medical Insurance Plan

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

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

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

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

At June 30, 2019, the District reported a liability of \$2,033,000 for its proportionate share of the net OPEB liability the reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.058593%.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

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

District's proportionate share of net OPEB liability	\$ 2,033,000
State's proportionate share of net OPEB liability associated with the District	<u>1,752,000</u>
Total	<u><u>\$ 3,785,000</u></u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$232,000 and revenue of \$122,000 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 104,000
Changes of assumptions	28,000	-
Net difference between projected and actual earnings on pension plan investments	-	8,000
Changes in proportion and differences between District contributions and proportionate share of contributions	23,000	-
District contributions subsequent to the measurement date	<u>102,315</u>	<u>-</u>
Total	<u><u>\$ 153,315</u></u>	<u><u>\$ 112,000</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$102,315 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

Years Ending June 30	
2020	\$ (13,000)
2021	(13,000)
2022	(13,000)
2023	(9,000)
2024	(10,000)
Thereafter	<u>(3,000)</u>
Total	<u>\$ (61,000)</u>

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50-7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 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 2024
Medicare Part B premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal bond index rate	3.56%
Discount rate	8.00%
Single equivalent interest rate	8.00%, net of OPEB plan investment expense, including inflation

The 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.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2017 valuation of the MIF were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The health care cost trend assumption was updated for the June 30, 2017 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global equity	58.00%	4.60%
Fixed income	9.00%	1.20%
Real estate	5.50%	3.80%
Private equity	6.50%	6.30%
Other additional categories*	20.00%	3.30%
Cash (LIBOR)	1.00%	90.00%
 Total	 <u>100.00%</u>	

**Modeled as 50% high yield and 50% bank loans.*

Discount rate: The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contribution 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.

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	\$ 2,384,000	\$ 2,033,000	\$ 1,741,000

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 1,686,000	\$ 2,033,000	\$ 2,461,000

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Teachers' Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.trs.ky.gov.

Life Insurance Plan

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

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

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

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

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

At June 30, 2018, the Kentucky School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the District were as follows:

KTRS	Life Insurance Fund
District's proportionate share of net OPEB liability	\$ -
State's proportionate share of net OPEB liability associated with the District	30,000
Total	\$ 30,000

For the year ended June 30, 2019, the District recognized OPEB expense of \$5,000 and revenue of \$5,000 for support provided by the State.

Actuarial Assumptions

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

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	3.56%
Discount rate	7.50%
Single equivalent interest rate	7.50%, net of OPEB plan investment expense, including inflation

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

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

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. equity	40.00%	4.20%
International equity	23.00%	5.20%
Fixed income	18.00%	1.20%
Real estate	6.00%	3.80%
Private equity	5.00%	6.30%
Other additional categories	6.00%	3.30%
Cash (LIBOR)	2.00%	0.90%
Total	<u>100.00%</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.*

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

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report on the website at www.trs.ky.gov.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 – CONTINGENCIES AND COMMITMENTS

Grant Programs

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

KISBIT

Kentucky School Board Insurance Trust (KSBIT) is under a corrective action plan with the Kentucky Department of Insurance (DOI) due to a deficit in net worth. On May 13, 2014, an assessment plan for KSBIT members was approved by the Court which provides a payment for the KSBIT members. The approved assessment plan contained component which are subject to ongoing litigation. The payment plan from the assessment began subsequent to June 30, 2014. The District was notified by KSBIT of a liability in the amount of \$43,649 for workers' compensation losses incurred by the Trust. The District made a 25% down payment in the amount of \$10,912 in August 2014. The District chose to pay the remaining liability of \$37,737 in six installments beginning August 31, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020.

NOTE 13 – RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of loss of assets associated with the risks related to torts; theft of, damage to and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disaster. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

In prior years, to obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District participated in the Kentucky School Boards Insurance Trust Liability Fund (KSBIT). 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 paid an annual premium to each fund for coverage.

Contributions to the Workers' Compensation Fund were based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

**LYON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 – RISK MANAGEMENT AND LITIGATION, continued

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

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements

NOTE 14 – COBRA

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

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2019.

NOTE 16 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2019, the District adopted the following accounting pronouncement:

- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued March 2018.

Adoption of this statement did not have a significant impact on the District's financial position or results of operations.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Beginning net position for governmental activities was restated in the net amount of \$77,373 to record deferred outflow for the subsequent contributions to the Medical Insurance Plan of \$104,373 and to record the beginning balance of deferred inflows for the Medical Insurance Plan of (\$27,000).

REQUIRED SUPPLEMENTARY INFORMATION

**LYON COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From local sources:				
Taxes				
Property	\$ 2,515,000	\$ 2,515,000	\$ 2,739,736	\$ 224,736
Motor vehicle	360,000	360,000	520,502	160,502
Utilities	500,000	500,000	510,336	10,336
Earnings on investments	2,000	2,000	41,093	39,093
Other local revenues	265,500	265,500	427,171	161,671
Intergovernmental - state	1,769,380	1,769,380	1,850,664	81,284
Intergovernmental - federal	25,000	25,000	53,342	28,342
Total revenues	5,436,880	5,436,880	6,142,844	705,964
EXPENDITURES				
Current:				
Instruction	3,185,393	3,195,643	3,008,936	186,707
Support services:				
Student	405,377	405,527	359,576	45,951
Instructional staff	425,444	425,444	433,958	(8,514)
District administration	1,133,790	1,188,867	257,087	931,780
School administration	424,693	424,692	421,591	3,101
Business	180,135	180,135	207,573	(27,438)
Plant operations and maintenance	809,256	811,256	817,788	(6,532)
Student transportation	581,405	581,405	478,696	102,709
Architectural & engineering	5,000	5,000	-	5,000
Debt service	61,887	61,887	-	61,887
Total expenditures	7,212,380	7,279,856	5,985,205	1,294,651
Excess (deficit) of revenues over (under) expenditures	(1,775,500)	(1,842,976)	157,639	2,000,615
Other financing sources (uses)				
Proceeds from sale of fixed assets	500	500	3,805	3,305
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(212,923)	(212,923)
Total other financing sources (uses)	500	500	(209,118)	(209,618)
Net change in fund balance	(1,775,000)	(1,842,476)	(51,479)	1,790,997
Fund balance, July 1, 2018	1,775,000	1,842,476	2,040,018	197,542
Fund balance, June 30, 2019	\$ -	\$ -	\$ 1,988,539	\$ 1,988,539

**LYON COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
REVENUES				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 6	\$ 6
Other local revenues	-	-	94,984	94,984
Intergovernmental - state	325,554	338,459	340,548	2,089
Intergovernmental - federal	430,425	576,344	619,224	42,880
Total revenues	<u>755,979</u>	<u>914,803</u>	<u>1,054,762</u>	<u>139,959</u>
EXPENDITURES				
Current:				
Instruction	655,951	676,453	777,709	(101,256)
Support services:				
Student	-	125,000	170,367	(45,367)
Instructional staff	9,585	9,920	9,397	523
Business	20,000	20,000	24,080	(4,080)
Community services	70,443	83,430	90,538	(7,108)
Total expenditures	<u>755,979</u>	<u>914,803</u>	<u>1,072,091</u>	<u>(157,288)</u>
Excess (deficit) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(17,329)</u>	<u>(17,329)</u>
Other financing sources (uses)				
Operating transfers out	-	-	(34,927)	(34,927)
Operating transfers in	-	-	52,256	52,256
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>17,329</u>	<u>17,329</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, July 1, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LYON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET AND ACTUAL
JUNE 30, 2019**

NOTE 1 – BUDGETARY INFORMATION

The District’s budgetary process accounts for transactions on a basis other than GAAP. Differences between the budgetary accounting methods and GAAP are not material.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other local, state and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General and Food Service Funds in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District’s staffing policy and the amount for instructional supplies, materials, travel and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

Reconciliation to the General Fund

Revenues - budgetary basis	\$ 6,142,844
On-behalf payments	<u>2,158,630</u>
 Total revenues - modified cash basis	 <u><u>\$ 8,301,474</u></u>
 Expenditures - budgetary basis	 \$ 5,985,205
On-behalf payments	<u>2,158,630</u>
 Total expenditures - modified cash basis	 <u><u>\$ 8,143,835</u></u>

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Special Revenue Fund had excess current year expenditures over current year appropriations totaling \$157,288

**LYON COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT System (CERS)**

<u>As of June 30</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.049702%	0.049477%	0.049530%	0.052300%	0.051539%
District's proportionate share of net pension liability	\$ 3,027,003	\$ 2,896,041	\$ 2,438,561	\$ 2,248,851	\$ 1,709,400
District's covered-employee payroll	\$ 1,231,337	\$ 1,202,923	\$ 1,184,538	\$ 1,240,576	\$ 1,175,660
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	245.83%	240.75%	205.87%	181.27%	145.40%
Plan fiduciary net position as a percentage of total pension liability**	54.54%	53.32%	55.50%	59.97%	66.80%

Schedule of District's Contributions - CERS

<u>For the year ended June 30</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 225,359	\$ 178,297	\$ 224,701	\$ 201,968	\$ 214,257
Contributions in relation to the contractually required contribution	<u>225,359</u>	<u>178,297</u>	<u>224,701</u>	<u>201,968</u>	<u>214,257</u>
Contribution deficiency	<u>\$ -</u>				
District's covered-employee payroll	\$ 1,389,393	\$ 1,231,337	\$ 1,202,923	\$ 1,184,538	\$ 1,240,576
Contributions as a percentage of covered-employee payroll	16.22%	14.48%	18.68%	17.08%	17.67%

** "Plan" refers to entire Multi-employer cost sharing plan, not the individual employers. Information provided by "Plan" actuary.

**LYON COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF
DISTRICT'S CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

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

2018: No changes in benefit terms

2017: No changes in benefit terms

2016: No changes in benefit terms

Changes in assumptions

2018: No changes since 2017

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate was decreased from 7.5 to 6.25%
- The assumed rate of inflation was reduced from 3.25 to 2.30%
- Payroll growth assumption was reduced from 4.0 to 3.05%

**LYON COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM (TRS)**

Schedule of District's Proportionate Share of Pension Liability - TRS

<u>As of June 30</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of net pension liability associated with the District	\$ 14,775,044	\$ 29,487,822	\$ 33,691,483	\$ 26,147,675	\$ 23,875,389
District's covered-employee payroll	\$ 3,763,591	\$ 3,607,249	\$ 2,773,328	\$ 3,622,135	\$ 3,641,030
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	39.83%	35.22%	42.49%	45.59%

Schedule of District's Contributions - TRS

<u>For the year ended June 30</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution - On behalf payments - KDE	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,733,530	\$ 3,763,591	\$ 3,607,249	\$ 2,773,328	\$ 3,622,135
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

** "Plan" refers to entire Multi-employer cost sharing plan, not the individual employers. Information provided by "Plan" actuary.

**LYON COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS TO PENSION PLAN AND SCHEDULE OF
DISTRICT'S CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM (TRS)**

Changes in benefit terms

None

Changes in assumptions

2018: Calculations of single equivalent interest rate (SEIR) resulted in an assumption change from 4.49% to 7.5%

2017: Calculations of single equivalent interest rate (SEIR) resulted in an assumption change from 4.20% to 4.49%

2016: 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 of the single equivalent interest rate (SEIR) resulted in an assumption change from 4.88% to 4.20%

2015: Calculation of SEIR resulted in an assumption change from 5.23% to 4.88%

2014: Calculation of the SEIR resulted in an assumption change from 5.16% to 5.23%

**LYON COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS)**

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

<u>As of June 30</u>	<u>2019</u>	<u>2018</u>
District's proportion of net OPEB liability (asset)	0.049712%	0.049477%
District's proportionate share of net OPEB liability (asset)	<u>\$ 882,627</u>	<u>\$ 994,657</u>
District's covered - employee payroll	<u>\$ 1,231,337</u>	<u>\$ 1,202,923</u>
District's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll	71.68%	80.78%
Plan fiduciary net position as a percentage of total OPEB liability**	57.62%	52.40%

Schedule of District's Contributions - CERS

<u>For the year ended June 30</u>	<u>2019</u>	<u>2018</u>
Contractually required OPEB contribution	\$ 73,082	\$ 57,873
Contributions in relation to the contractually required contribution	<u>73,082</u>	<u>57,873</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,389,393	\$ 1,231,337
Contributions as a percentage of covered-employee payroll	5.26%	4.70%

** "Plan" refers to entire Multi-employer cost sharing plan, not the individual employers. Information provided by "Plan" actuary.

**LYON COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
COUNTY EMPLOYEE RETIREMENT SYSTEM (CERS)**

Change in benefit terms

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

2018: No changes in benefit terms

2017: No changes in benefit terms

Changes in assumptions

2018: Single discount rate changed from 5.84% to 5.85%

**LYON COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY
AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM (TRS) – MEDICAL INSURANCE FUND**

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

<u>As of June 30</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability (asset)	0.058593%	0.057841%
District's proportionate share of collective net OPEB liability (asset)	\$ 2,033,000	\$ 2,062,000
State's proportionate share of collective net OPEB liability (asset) associated with the District	<u>1,752,000</u>	<u>1,685,000</u>
Total	<u>\$ 3,785,000</u>	<u>\$ 3,747,000</u>
District's covered-employee payroll	<u>\$ 3,479,106</u>	<u>\$ 3,303,240</u>
District's proportionate share of collective net OPEB liability (asset) as a percentage of its covered-employee payroll	58.43%	62.42%
Plan fiduciary net position as a percentage of the total OPEB liability**	25.50%	21.18%

Schedule of District's Contributions - TRS

<u>For the year ended June 30</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 102,315	\$ 104,373
Contributions in relation to the contractually required contribution	<u>102,315</u>	<u>104,373</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,410,495	\$ 3,479,106
Contributions as a percentage of covered-employee payroll	3.00%	3.00%

** "Plan" refers to entire Multi-employer cost sharing plan, not the individual employers. Information provided by "Plan" actuary.

**LYON COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY
AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM (TRS) – LIFE INSURANCE FUND**

Schedule of District's Contributions - TRS

<u>As of June 30</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability (asset)	0.000000%	0.000000%
District's proportionate share of collective net OPEB liability (asset)	\$ -	\$ -
State's proportionate share of collective net OPEB liability (asset) associated with the District	<u>30,000</u>	<u>23,000</u>
Total	<u>\$ 30,000</u>	<u>\$ 23,000</u>
District's covered-employee payroll	<u>\$ 3,479,106</u>	<u>\$ 3,303,240</u>
District's proportionate share of collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability**	75.00%	79.99%

Schedule of District's Contributions - TRS

<u>For the year ended June 30</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 3,410,495</u>	<u>\$ 3,479,106</u>
Contributions as a percentage of covered - employee payroll	0.00%	0.00%

** "Plan" refers to entire Multi-employer cost sharing plan, not individual employers. Information provided by "Plan" actuary.

**LYON COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – KENTUCKY TEACHERS' RETIREMENT SYSTEM
(TRS)**

Medical Insurance Fund:

Changes in benefit terms

2018: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retire prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the cost of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes in assumptions

None

Life Insurance Fund:

Changes in benefit terms

None

Changes in assumptions

None

OTHER SUPPLEMENTARY INFORMATION

**LYON COUNTY BOARD OF EDUCATION
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 122,808	\$ 248,055	\$ -	\$ 370,863
Total assets and resources	<u>\$ 122,808</u>	<u>\$ 248,055</u>	<u>\$ -</u>	<u>\$ 370,863</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Spendable				
Restricted	122,808	248,055	-	370,863
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>122,808</u>	<u>248,055</u>	<u>-</u>	<u>370,863</u>
Total liabilities and fund balances	<u>\$ 122,808</u>	<u>\$ 248,055</u>	<u>\$ -</u>	<u>\$ 370,863</u>

**LYON COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
From local sources:				
Taxes				
Property	\$ 409,048	\$ -	\$ -	\$ 409,048
Intergovernmental - state	-	82,520	71,307	153,827
Total revenues	409,048	82,520	71,307	562,875
EXPENDITURES				
Debt service	-	-	427,752	427,752
Total expenditures	-	-	427,752	427,752
Excess (deficit) of revenues over (under) expenditures	409,048	82,520	(356,445)	135,123
Other financing sources (uses)				
Operating transfers in	-	-	356,445	356,445
Operating transfers out	(356,445)	-	-	(356,445)
Total other financing sources (uses)	(356,445)	-	356,445	-
Net change in fund balances	52,603	82,520	-	135,123
Fund balances, July 1, 2018	70,205	165,535	-	235,740
Fund balances, June 30, 2019	\$ 122,808	\$ 248,055	\$ -	\$ 370,863

**LYON COUNTY BOARD OF EDUCATION
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
 ALL ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Cash Balance</u> <u>July 1, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance</u> <u>June 30, 2019</u>	<u>Accounts</u> <u>Receivable</u>	<u>Accounts</u> <u>Payable</u>	<u>Fund Balance</u> <u>June 30, 2019</u>
Lyon County High School	\$ 58,456	\$ 225,938	\$ 228,387	\$ 56,007	\$ -	\$ -	\$ 56,007
Lyon County Middle School	42,764	58,919	54,617	47,066	-	-	47,066
Lyon County Elementary School	24,317	34,622	33,872	25,067	-	-	25,067
Totals	<u>\$ 125,537</u>	<u>\$ 319,479</u>	<u>\$ 316,876</u>	<u>\$ 128,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,140</u>

**LYON COUNTY BOARD OF EDUCATION
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
 SCHOOL ACTIVITY FUNDS – LYON COUNTY HIGH SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balance July 1, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2019
General							
General	\$ 91	\$ 8,317	\$ 8,120	\$ 288	\$ -	\$ -	\$ 288
Black Box	-	1,100	1,100	-	-	-	-
Drink Machine	-	141	141	-	-	-	-
Lounge Drink Machine	546	1,806	2,192	160	-	-	160
AP Fees	153	5,217	4,935	435	-	-	435
Student Inst Fees	-	2,475	2,475	-	-	-	-
Calculator Rental	290	-	150	140	-	-	140
Roar Store	617	18,485	9,450	9,652	-	-	9,652
Athletics							
General	5,396	16,273	20,632	1,037	-	-	1,037
Concession Stand	1,016	14,079	14,049	1,046	-	-	1,046
Little Leage Basket	242	-	242	-	-	-	-
Boys' Basketball Camp	1	1,950	1,934	17	-	-	17
Boys' Basketball	6,843	16,774	19,617	4,000	-	-	4,000
Girls' Basketball Camp	2,888	670	1,958	1,600	-	-	1,600
Girls' Basketball	9,948	10,047	17,495	2,500	-	-	2,500
Cheerleading	44	10,112	9,930	226	-	-	226
Track Team	-	1,973	1,973	-	-	-	-
Archery Team	406	-	406	-	-	-	-
Golf	-	604	604	-	-	-	-
Tennis	-	1,051	1,051	-	-	-	-
Boys Soccer	2,609	4,730	7,339	-	-	-	-
Girls Soccer	177	7,478	7,155	500	-	-	500
Baseball	-	11,929	11,929	-	-	-	-
Softball	-	8,390	8,390	-	-	-	-

Continued

**LYON COUNTY BOARD OF EDUCATION
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
 SCHOOL ACTIVITY FUNDS – LYON COUNTY HIGH SCHOOL, continued
 FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balance July 1, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2019
Clubs							
Art	81	276	240	117	-	-	117
Student Council	387	500	89	798	-	-	798
Beta Club	1,433	170	108	1,495	-	-	1,495
History	22	-	22	-	-	-	-
FBLA	429	4,519	4,046	902	-	-	902
FCA	650	965	597	1,018	-	-	1,018
FCCLA	-	15,647	12,870	2,777	-	-	2,777
FFA	1,735	25,568	27,235	68	-	-	68
Ag Grant	131	5,668	1,901	3,898	-	-	3,898
Pep	1,804	1,405	2,369	840	-	-	840
Young Democrats	349	-	-	349	-	-	349
TSA	2,819	11,366	11,485	2,700	-	-	2,700
Spectrum	50	-	40	10	-	-	10
STLP	640	-	-	640	-	-	640
Dart	703	2,810	3,210	303	-	-	303
Gaming Club	163	-	163	-	-	-	-
Departments							
Band	-	9,844	9,369	475	-	-	475
Consumer Ed	511	1,405	1,334	582	-	-	582
Technology Ed	149	1,335	1,251	233	-	-	233
Yearbook	12,699	11,810	11,186	13,323	-	-	13,323
Freshman Class	-	250	-	250	-	-	250
Junior Class	2,406	4,777	3,888	3,295	-	-	3,295
Senior Class	28	2,861	2,556	333	-	-	333
	58,456	244,777	247,226	56,007	-	-	56,007
Less: Interfund transfers	-	(18,839)	(18,839)	-	-	-	-
Totals	<u>\$ 58,456</u>	<u>\$ 225,938</u>	<u>\$ 228,387</u>	<u>\$ 56,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,007</u>

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

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Education			
Passed through State Department of Education:			
Special Education Cluster			
Special Education - Grants to States	84.027	3810002-18	\$ 155,184
	84.027	3810002-17	<u>32,507</u>
Total Special Education - Grants to States			\$ 187,691
Special Education - Preschool Grants	84.173	3800002-18	11,003
	84.173	3800002-17	<u>245</u>
Total Special Education - Preschool Grants			<u>11,248</u>
Total Special Education Cluster			<u>198,939</u>
Title I Grants to Local Education Agencies	84.010	3100002-18	219,155
	84.010	3100002-17	<u>35,930</u>
Total Title I Grants to Local Education Agencies			255,085
Career and Technical Education -			
Basic Grants to States			
	84.048	3710002-18	8,353
	84.048	3710006-18	171
	84.048	3710002-17	75
	84.048	3710006-17	210
	84.048	3710006-16	<u>1,525</u>
Total Career and Technical Education - Basic Grants to States			10,334
Rural Education	84.358	3140002-17	1,352
Student Support and Academic			
Enrichment Program			
	84.424	3420002-18	14,247
	84.424	3420003-18	240
	84.424	3420002-17	<u>5,662</u>
Total Student Support and Academic Enrichment Program			<u>20,149</u>
Total U. S. Department of Education			<u>485,859</u>

Continued

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

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U. S. Department of Agriculture			
Passed through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760005-19	114,917
	10.553	7760005-18	<u>26,668</u>
Total School Breakfast Program			141,585
National School Lunch Program	10.555	7750002-19	280,044
	10.555	7750002-18	<u>59,228</u>
Total National School Lunch Program			339,272
Summer Food Service Program for Children	10.559	7690024-19	1,688
	10.559	7740023-19	<u>5,137</u>
Total Summer Food Service Program for Children			<u>6,825</u>
Total Child Nutrition Cluster			<u>487,682</u>
Other U. S. Department of Agriculture Programs:			
Fresh Fruit and Vegetable Program	10.582	Direct	<u>37,029</u>
Total U.S. Department of Agriculture			<u>524,711</u>
U. S. Department of Health and Human Services			
Drug-Free Communities Support Program Grants	93.276	Direct	<u>135,511</u>
Total U. S. Department of Health and Human Services			<u>135,511</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,146,081</u></u>

See notes to Schedule of Expenditures of Federal Awards

**LYON COUNTY 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 (the "Schedule") includes the federal grant activity of Lyon County School District (the "District") under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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. 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.

Pass-through entity identifying numbers are presented where available.

NOTE 3 – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE 4 – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 5 – COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE

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CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lyon County School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lyon County School District's basic financial statements and have issued our report thereon dated November 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Lyon County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lyon County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (item 2019-001).

Compliance and Other Matters

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

We noted certain matters that we reported to management of Lyon County School District in a separate report dated November 12, 2019.

Lyon County School District's Response to Findings

The Lyon County School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Lyon County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants

Hopkinsville, Kentucky

November 12, 2019

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CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants

Hopkinsville, Kentucky

November 12, 2019

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

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? X yes ___ none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? ___yes _ X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ___ yes X no

Major federal programs:

<u>Program Title</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559

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

Auditee qualified as a low-risk auditee? X yes ___ no

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

Findings – Financial Statement Audit

2019-001 Internal Controls

Condition – There was inadequate design of internal control over the preparation of financial statements of the District.

Criteria – Statement on Auditing Standards (SAS 115) states that a control deficiency exists when an entity does not have controls in place which would prevent or detect a misstatement in the financial statements.

Effect – There was an increased risk that controls in place might not prevent, or detect and correct, misstatements in the financial statements.

Cause – Available funds do not allow for such staffing.

Recommendation – The District should designate an individual who possesses suitable skill, knowledge and/or experience to review the financial statements, including footnote disclosures, and take responsibility for these financial statements.

Response – Management outsourced the preparation of their financial statements and the related notes to Duguid, Gentry & Associates, PSC. Management maintained responsibility for the financial statements and related notes and for the establishment of controls over the financial reporting process and acknowledged that outsourcing preparation of the financial statements and related notes does not relieve management of the responsibility for the financial statements. Management provided oversight for the financial statement preparations service by designating an individual within senior management who possesses suitable technical skill, knowledge and experience sufficient to (a) understand the financial statement preparation service enough to be able to provide general direction for the service; (b) understand the key issues the auditor identifies; (c) make any required management decisions and (d) evaluate the adequacy of, and accept responsibility for, the results of the auditor's work.

Findings and Questioned Costs – Major Federal Award Programs Audit

None reported

**LYON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

2018-01 Internal Controls

Condition – There was inadequate design of internal control over the preparation of financial statements of the District.

Recommendation – The District should designate an individual who possesses suitable skill, knowledge and/or experience to review the financial statements, including footnote disclosures, and take responsibility for these financial statements.

Current Status – The finding was repeated for the fiscal year ending June 30, 2019.

MANAGEMENT COMMENTS FOR AUDIT

SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA



4443 CANTON PIKE
HOPKINSVILLE, KY 42240

270.886.6355

DUGUID, GENTRY & ASSOCIATES, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 12, 2019

Members of the Board of Education
Lyon County School District
Eddyville, Kentucky

In planning and performing our audit of the financial statements of Lyon County School District (the "District") for the year ended June 30, 2019, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 12, 2019, contains our report on the District's internal control. This letter does not affect our report dated November 12, 2019 on the financial statements of the Lyon County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We performed a follow-up on the prior year findings with the status of these findings documented on pages 95-96 of this report.

This report is intended solely for the information and use of management, the members of the Lyon County Board of Education, others within the District and the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

**LYON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

LYON COUNTY ELEMENTARY SCHOOL

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for an inactive activity account if there has been no activity during the preceding 12 months.

Condition – 5 accounts had no activity during the preceding 12 months and are considered inactive.

Cause – Lack of implementation of Redbook policy.

Effect – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

Recommendation – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts funds shall be transferred to the school activity general account and used for the general benefit of all students.

Views of Responsible Officials – Student organization leaders have been informed that they are to spend the remaining funds or they will be transferred to the school activity general account and used for the general benefit of all students. We will continue to make every effort to follow policies and comply with KDE requirements.

- II. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for verification of deposit slips.

Condition – Deposit slips were not verified and initialed by someone other than the person preparing the deposit.

Cause – Lack of implementation of Redbook policy.

Effect – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (“Redbook”).

Recommendation – An employee, other than the person preparing the deposit slip, should verify the amount on the deposit ticket agrees with the amount of receipts recorded in the ledger sheets and that the deposit ticket has been validated by the bank and the employee should initial the deposit ticket.

Views of Responsible Officials – Someone other than the school secretary or Principal handles and counts money, then both the Principal and secretary recount and initial deposit slips. We will continue to make every effort to follow policies and comply with KDE requirements.

**LYON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

LYON COUNTY ELEMENTARY SCHOOL

- I. **Condition** – Forms F-SA-2A Fundraiser Approval, and F-SA-2B Fundraiser Worksheet are not completed properly. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires the use of the Fundraiser Approval when soliciting and collecting funds and the Fundraiser Worksheet to recap the profitability of a fundraiser

Recommendation – The Fundraiser Approval and Fundraiser Worksheet forms should be used and properly completed for all fundraising activities.

Current Status – The finding was not repeated for fiscal year June 30, 2019.

LYON COUNTY MIDDLE SCHOOL

- I. **Condition** – 5 accounts had no activity during the preceding 12 months and are considered inactive.

Recommendation – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts funds shall be transferred to the school activity general account and used for the general benefit of all students.

Current Status – The finding was repeated for 2 accounts for fiscal year June 30, 2019.

Views of Responsible Officials – The two accounts with no activity will be transferred to another account and closed.

LYON COUNTY HIGH SCHOOL

- I. **Condition** – Inventory Control Worksheets are not being completed properly. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires that activities involving inventory for sale shall use the Inventory Control Worksheet (Form F-SA-5).

Recommendation – The Inventory Control Worksheet should be used and properly completed for all activities involving inventory for sale.

Current Status – The finding was repeated for fiscal years June 30, 2018 and 2019.

Views of Responsible Officials – The Concession Stand will be under new management this year. The new managers will be given the proper paperwork and be advised on how to complete it. They will also be trained in inventory control and how to report it properly.

**LYON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

LYON COUNTY HIGH SCHOOL, continued

- I. **Condition** – Forms F-SA-2A Fundraiser Approval, and F-SA-2B Fundraiser Worksheet are not completed properly. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires the use of the Fundraiser Approval when soliciting and collecting funds and the Fundraiser Worksheet to recap the profitability of a fundraiser

Recommendation – The Fundraiser Approval and Fundraiser Worksheet forms should be used and properly completed for all fundraising activities.

Current Status – The finding was not repeated for fiscal year June 30, 2019.