MARSHALL COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year ended June 30, 2019

MARSHALL COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019

MARSHALL COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
YEAR ENDED JUNE 30, 2019

Required Supplementary Information:

Other Supplementary Information:

MARSHALL COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 *Kentucky Public School Districts' Independent Auditor's Contract,* including *Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Submission Instructions*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Marshall County School District as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefits other than pensions (OPEB) information on pages 4 through 9 and 52 through 63, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2019, on my consideration of the Marshall County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Marshall 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 the Marshall County School District's internal control over financial reporting and compliance.

Benton, Kentucky
November 12, 2019

MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019

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

FINANCIAL HIGHLIGHTS

- The July 1, 2018 beginning balance in fund 1 (general fund) was $7,622,976.26 (this number contains $2,199,179.71 remaining from a capital funds request and $159,581.85 from committed and non-spendable funds).

- Property assessments generated on August 23, 2018 and then certified to the District Board of Education by the Commissioner showed total real and personal property valuation at $2,268,796,445 and motor vehicle valuation at $300,162,528. The real estate and personal property rate approved by the Marshall County Board of Education was 47.4 cents for real estate and tangible. Real Estate/Tangible rates represented the same rate as the prior year. Note: 5.9 cents of this rate was required to produce the 5 cent equivalent. The total collected was $10,299,926. The motor vehicle property tax rate was 45.6 cents per $100 of assessed property. This is the same rate as the prior year. The total collected was $1,496,849.

- Districts are funded through the Support Education Excellence in Kentucky (SEEK) calculation. FY19 final SEEK funding totaled $15,142,120. This is $420,971 less than the prior year. A vital component of this calculation is the Average Daily Attendance (ADA). The current year Adjusted Average Daily Attendance (AADA) was 4,221.414 compared to prior year AADA plus growth of 4,376.132. The district showed a substantial loss in ADA. The Superintendents Annual Attendance Report (SAAR) showed an additional loss as it ended at 4,153.132. This number will represent the minimum allocation for the next fiscal year.

- The utility gross receipts license (UGRL) tax for schools is assessed on gross receipts derived from the furnishing of utility services and/or cable services within a school district. The service provider collects the tax based on the rate established by the local authority. The Department of Revenue (DOR) collects the utilities tax on behalf of the school districts in Kentucky for a fee not to exceed one percent.

  Utilities receipts were up 11.38% from the prior year. The total collection for the year was $3,546,176. During any given year, the change can be attributed to a combination of usage, fluctuating prices, and rate of collection.

- Marshall County Occupational License Tax for Schools collects both withholding and net profits from businesses. While withholdings (1/2 percent based on gross earnings for those who live and work in Marshall County) are stable with collections of $1,295,002 in FY19 (up 4%), net profits are not. FY19 recorded net profit revenue is $837,483 (21.2% more than the prior year). The net profit variance for this year is primarily due to one company having estimates that are off target. It has caused the District's profit to be overstated for FY19 and will cause it to be understated for next year when we make the refund. (Due to varying company fiscal years and tax extensions, when the District is forced to make refunds, it sometimes crosses the District's fiscal year).

- Each year the Tennessee Valley Authority (TVA) is required to make in lieu of tax payments to the Commonwealth of Kentucky as provided by Section 13 of the TVA Act and KRS 96.895. The amount received is determined by the proportion that the book value of TVA property in each taxing district, multiplied by the current tax rate, bears to the total of the book values of TVA property in all taxing districts in the Commonwealth, multiplied by their respective tax rates. Of the Marshall County Schools allocation, 70% is distributed to the Local Education Authority (LEA) while 30% is retained by state government. TVA in lieu declined steadily in FY15 and further in FY16 largely due to the closing of USEC. TVA appears to have stabilized with this year's revenue increasing by 1.36% over the prior year.

FINANCIAL HIGHLIGHTS (Continued)

The following table shows all in lieu of tax revenue:

FY19	FY18	FY17	FY16	FY15	FY14	FY13
$1,156,128	$1,139,350	$1,196,742	$1,079,640	$1,377,572	$1,629,389	$1,681,185

For FY19 the breakdown is: TVA, 90.5%, Paducah Power, 5.6%, Benton Electric, 3.9%.

- The District was awarded two grants for assistance in recovery. The first, the Victims of Crime Act (VOCA), $260,652, was awarded to help pay for a coordinator to develop and oversee a comprehensive and collaborative recovery plan. Also, the award would assist with two mental health professionals to provide student and staff counseling, emergency assistance for victims in crisis and referrals for long-term mental health care. The second, the School Emergency Response to Violence (SERV), $460,064 was awarded to help with funding additional School Resource Officers (SRO), hall monitors, nursing, and assistance with the MC@Home school initiative.

- The District added four additional SRO's during the year through a partnership with the office of the Sheriff. This brings the total number of SRO's to five. The SRO's are currently funded through multiple sources including the general fund and SERV grant. It is expected that eventually this will become substantially a general fund expense.

- MC@Home is an online home school curriculum option added this year. The cost is funded through multiple sources but substantially through SERV this year. It is expected that eventually this will become mostly a general fund expense. The MC@Home program fills many important needs. Mental health experts expected a rise in the number of home schooled students due to the tragedy we experienced in January 2018. We also have parents that contact the District in need of curriculum advice.

- Payroll and benefits for FY19 (including sick leave payout for retirees and excluding on-behalf payments) were $31,074,267 as compared to $31,200,928 in FY18. Small and large step increases for both certified and classified employees and rank changes for certified are built into the annual salary schedule. The salary schedule did not include an across the board raise. NOTE: sick leave payout in FY19 was $270,269

- None of the major insurance categories were scheduled to be bid for FY19. The Superintendent's designee typically bids major insurance categories every three years unless it is in the District's best interest to adjust the schedule.

- Three school buses were purchased in FY19 through the capital funds process for a total of $290,121.

- Historically, retiree health care legislation imposed a "shared responsibility solution", in which districts are required to match the employees' contributions for the health portion of the Teachers' Retirement System (TRS) account according to the chart below.

TRS Health	18-19	17-18	16-17	15-16	14-15	13-14	12-13	11-12	10-11	PRIOR YRS
Rate	3.00%	3.00%	3.00%	3.00%	2.25%	1.50%	1.00%	.50%	.25%	0%
Cost	588,359	571,958	547,582	555,447	403,381	276,241	178,518	93,973	57,325	$0

Throughout FY19 there continues to be debate and speculation over the future of TRS with respect to funding and structure.

FINANCIAL HIGHLIGHTS (Continued)

- Most classified personnel are covered under the County Employees Retirement System (CERS). This year, contributions to the plan consist of an employee contribution of 5.0% (members with a participation date on or after September 1, 2008 must contribute an additional 1%). Employer matching was 6.34% in FY03. It has increased over the years and has become a significant budget issue. At 21.48% in FY19 (up from 19.18% in FY18), the employer matching requirement (for all funds) was $1,264,671. House Bill 362, passed during the 2018 legislative session, caps CERS employer contribution rate increases to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

- During FY16, the local planning committee (LPC) presented a new facility plan that is still in effect. This plan was approved by the Kentucky Board of Education on June 8th, 2016. It shows capital construction priorities with a cost estimate of $30,528,550. Projects listed on this facility plan that were in progress at June 30th, 2019 are Marshall County High School Renovation, Sharpe Elementary School Addition and Renovation, and the Guaranteed Energy Savings Project. The district combined projects in one series 2019 bond sale in the amount of $1,627,562.21 for the following projects: Sharpe Waste Water, MCHS Waste Water, MCHS Connector, and SMES Roof.

- As we ended the year, the Guaranteed Energy Savings Contract (GESC) project was substantially complete, which contributed to reduced utility costs. Going forward, upon total completion, we will have the ability to closely determine the effect of the GESC project. Electricity expenses were down 15.88% from the prior year for a total expenditure of $993,877. Natural gas expenditures were down 27.07% from the prior year with $145,509 being spent.

- The June 30, 2019 ending balance in fund 1 was $6,516,371.03 (including $432,996 remaining from capital funds requests and $144,853.80 in committed and assigned funds).

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

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

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

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

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

The government-wide financial statements can be found on pages 10 and 11 of this report.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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

The basic fund financial statements can be found on pages 12 through 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $7,936,339 as of June 30, 2019.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Net Position for the period ending	
	June 30, 2019	**June 30, 2018**
Current Assets	$ 20,400,486	$ 36,310,934
Noncurrent Assets	79,999,834	62,391,214
Total Assets	**$ 100,400,320**	**$ 98,702,148**
Deferred Loss from Refunding Bonds	$ 616,457	$ 732,481
Deferred Outflows Related to Pensions	3,639,370	4,272,836
Deferred Outflows Related to OPEBs	1,961,985	1,831,810
Total Deferred Outflows of Resources	**$ 6,217,812**	**$ 6,837,127**
Current Liabilities	$ 5,859,621	$ 5,031,430
Noncurrent Liabilities	90,249,243	90,680,175
Total Liabilities	**$ 96,108,864**	**$ 95,711,605**
Deferred Inflows Related to Pensions	$ 1,135,259	$ 1,393,991
Deferred Inflows Related to OPEBs	1,437,670	387,783
Total Deferred Inflows of Resources	**$ 2,572,929**	**$ 1,781,774**
Net investment in capital assets	$ 18,352,978	$ 581,089
Restricted for:		
District activity funds	334,791	258,505
SFCC escrow	1,444,826	99,860
Capital projects and construction	7,138,191	22,722,717
Debt service	38,440	36,957
Other	276,159	1,291,544
Food service	(1,367,678)	(1,441,006)
Unrestricted	(18,281,368)	(15,503,770)
Total Net Position	**$ 7,936,339**	**$ 8,045,896**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following presents a summary of revenue and expense for the fiscal year ended June 30, 2019, compared to the fiscal year ended June 30, 2018.

	June 30, 2019	June 30, 2018
Program Revenues:		
Charges for Services-Governmental	$ 277,185	$ 323,889
Charges for Services-Food Service	432,971	412,101
Operating Grants-Governmental	16,915,351	17,098,980
Operating Grants-Food Service	2,635,689	2,569,659
Capital Grants-Governmental	1,669,788	1,654,189
Total program revenues	**21,930,984**	**22,058,818**
General Revenues:		
Taxes	18,855,375	18,072,814
Earnings on investments	707,774	301,886
State and formula grants	15,142,120	15,563,091
Gain on retirement of assets	0	1,300
Miscellaneous	0	1,804
Total general revenues	**34,705,269**	**33,940,895**
Total Revenues	**56,636,253**	**55,999,713**
Expenses:		
Instruction	32,947,680	33,901,838
Student support services	2,317,380	2,181,657
Instructional support	1,271,761	1,314,277
District administration	1,657,490	1,662,919
School administration	2,732,967	2,705,633
Business support	1,308,124	1,250,074
Plant operations	5,576,385	5,985,224
Student transportation	3,057,237	2,998,212
Community services	441,495	348,381
Food Service Operation	3,036,684	3,250,440
Adult education	2,290	2,380
Interest on long-term debt	2,187,214	1,362,846
Other Debt Service	71,145	235,949
Loss on retirement of assets	137,958	0
Total expenses	**56,745,810**	**57,199,830**
Change in Net Position	**(109,557)**	**(1,200,117)**
Beginning Net Position	**8,045,896**	**9,246,013**
Ending Net Position	**$ 7,936,339**	**$ 8,045,896**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Funds Revenue Recap

Revenue (excluding proceeds from bonds, interfund transfers and on-behalf payments) was generally derived from local funding (45.8%), state funding (42.4%), and federal funding (11.8%).

Governmental Funds Expenditure Recap

Instruction expenditures made up the majority at (58.06%) followed by Plant Operations (9.83%), Student Transportation (5.39%), Food Services (5.35%), School Administration (4.82%), Student Support (4.08%), Interest on long term debt (3.85%), District Administration (2.92%), Business Support (2.31%), Instructional Staff Support (2.24%), Community Services (0.78%), Loss on retirement of assets (.24%), and Other Debt Service (.13%).

COMMENTS ON BUDGET COMPARISONS

During the 18-20 Biennium, the General Assembly continues to allow flexibility in the use of school district capital funds without forfeiting the District's eligibility to participate in the School Facilities Construction Commission (SFCC) program. As such, the potential for significant budget changes are present, potentially affecting the flow from one fiscal year to another.

At the end of each odd fiscal year, remaining funds in the capital outlay fund and the building fund must be moved to a restricted SFCC escrow account if the District wants to participate in SFCC offers of assistance. Because of this, there are no funds budgeted to the carryforward account in an even fiscal year for these capital funds.

ADDITIONAL NOTES

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal grants, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the general fund budget must have a minimum 2% contingency. The Kentucky Department of Education recommends at least 4% and recognizes 10% and above as being appropriate, especially considering the uncertainty of a number of critical factors. In 2013, KDE changed the methodology for calculating contingency and fund balance. The effect of the new formula is that the contingency will be higher. This change was made to better match the expenditures used with the Fund 1 fund balance or contingency amount. The KDE also commented at that time that future conversations will take place regarding the adequacy of the 2% benchmark. The FY19 working budget was approved at the September 20, 2018 Board of Education meeting. Over the course of the year, the District revised the annual operating budget several times. Kentucky districts are required to present to the Board of Education a Draft Budget, Tentative Working Budget, and Working Budget. Significant amendments after the passage of the Working Budget are brought to the Board of Education (during the Treasurer's report) for subsequent review.

Questions regarding this report should be directed to the Superintendent or Finance Officer at (270)527-8628 or by mail at 86 High School Road, Benton, KY 42025.

MARSHALL COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 18,105,873	$ 462,348	$ 18,568,221
Accounts receivable:			
Taxes - current	1,156,149	0	1,156,149
Taxes - delinquent	26,203	0	26,203
Accounts receivable	60,177	231	60,408
Intergovernmental - state	14,059	0	14,059
Intergovernmental - federal	465,700	8,811	474,511
Inventory	0	43,647	43,647
Prepaid expenses	57,288	0	57,288
Total current assets	19,885,449	515,037	20,400,486
Noncurrent Assets:			
Capital assets	126,918,047	1,818,171	128,736,218
Less: Accumulated depreciation	(47,286,296)	(1,450,088)	(48,736,384)
Total noncurrent assets	79,631,751	368,083	79,999,834
TOTAL ASSETS	$ 99,517,200	$ 883,120	$ 100,400,320
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss from refunding bonds	$ 1,471,965	$ 0	$ 1,471,965
Less: Accumulated amortization	(855,508)	0	(855,508)
Deferred pension related outflows	3,186,704	452,666	3,639,370
Deferred OPEB related outflows	1,813,412	148,573	1,961,985
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 5,616,573	$ 601,239	$ 6,217,812
LIABILITIES :			
Current Liabilities:			
Accounts payable	$ 2,585,054	$ 163	$ 2,585,217
Unearned grant revenue	252,811	0	252,811
Current portion of bond obligations	2,349,000	0	2,349,000
Less: Current portion of unamortized bond discount	(36,994)	0	(36,994)
Current portion of KSBIT payable	21,872	0	21,872
Current portion of accrued sick leave	114,007	4,012	118,019
Interest payable	569,696	0	569,696
Total current liabilities	5,855,446	4,175	5,859,621
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	60,503,000	0	60,503,000
Less: Noncurrent portion of unamortized bond discount	(551,693)	0	(551,693)
Noncurrent portion of KSBIT payable	21,870	0	21,870
Noncurrent portion of accrued sick leave	572,780	20,157	592,937
Net pension liability	12,118,292	1,721,378	13,839,670
Net OPEB liability	15,341,653	501,806	15,843,459
Total noncurrent liabilities	88,005,902	2,243,341	90,249,243
TOTAL LIABILITIES	$ 93,861,348	$ 2,247,516	$ 96,108,864
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension related inflows	$ 994,055	$ 141,204	$ 1,135,259
Deferred OPEB related inflows	1,342,436	95,234	1,437,670
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 2,336,491	$ 236,438	$ 2,572,929
NET POSITION:			
Net investment in capital assets	$ 17,984,895	$ 368,083	$ 18,352,978
Restricted for:			
District activity funds	334,791	0	334,791
SFCC escrow	1,444,826	0	1,444,826
Capital projects and construction	7,138,191	0	7,138,191
Debt service	38,440	0	38,440
Other	276,159	0	276,159
Food service	0	(1,367,678)	(1,367,678)
Unrestricted	(18,281,368)	0	(18,281,368)
TOTAL NET POSITION	$ 8,935,934	$ (999,595)	$ 7,936,339

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

MARSHALL COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	$ 32,947,680	$ 276,685	$ 12,583,977	$ 1,669,788	$ (18,417,230)	$ 0	$ (18,417,230)
Support Services:							
Student	2,317,380	0	664,806	0	(1,652,574)	0	(1,652,574)
Instructional Staff	1,271,761	0	605,553	0	(666,208)	0	(666,208)
District Administration	1,657,490	0	139,235	0	(1,518,255)	0	(1,518,255)
School Administration	2,732,967	0	700,483	0	(2,032,484)	0	(2,032,484)
Business	1,308,124	0	369,706	0	(938,418)	0	(938,418)
Plant operations and maintenance	5,576,385	500	723,295	0	(4,852,590)	0	(4,852,590)
Student transportation	3,057,237	0	568,997	0	(2,488,240)	0	(2,488,240)
Food service	3,208	0	0	0	(3,208)	0	(3,208)
Community service activities	441,495	0	426,998	0	(14,497)	0	(14,497)
Interest on long-term debt	2,187,214	0	132,301	0	(2,054,913)	0	(2,054,913)
Other debt service	71,145	0	0	0	(71,145)	0	(71,145)
Loss on retirement of assets	137,958	0	0	0	(137,958)	0	(137,958)
Total governmental activities	53,710,044	277,185	16,915,351	1,669,788	(34,847,720)	0	(34,847,720)
Business-Type Activities:							
Food service	3,033,476	432,971	2,635,689	0	0	35,184	35,184
Adult education	2,290	0	0	0	0	(2,290)	(2,290)
Total business-type activities	3,035,766	432,971	2,635,689	0	0	32,894	32,894
Total primary government	$ 56,745,810	$ 710,156	$ 19,551,040	$ 1,669,788	(34,847,720)	32,894	(34,814,826)
General Revenues:							
Taxes:							
Property					10,440,635	0	10,440,635
Motor Vehicle					1,535,859	0	1,535,859
Utilities					3,546,176	0	3,546,176
Occupational license tax					2,133,485	0	2,133,485
In Lieu of					1,199,220	0	1,199,220
Earnings on Investments					699,436	8,338	707,774
State and formula grants					15,142,120	0	15,142,120
Change in net position					(150,789)	41,232	(109,557)
Net position at July 1, 2018					9,086,723	(1,040,827)	8,045,896
Net position at June 30, 2019					$ 8,935,934	$ (999,595)	$ 7,936,339

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

MARSHALL COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Special Revenue Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	$ 6,912,850	$ 340,020	$ 9,065,294	$ 1,483,266	$ 17,801,430
Accounts receivable:					
Taxes - current	1,156,149	0	0	0	1,156,149
Taxes - delinquent	26,203	0	0	0	26,203
Accounts receivable	58,171	28	0	0	58,199
Due from other funds	198,201	0	0	0	198,201
Intergovernmental - state	0	14,059	0	0	14,059
Intergovernmental - federal	8,808	456,892	0	0	465,700
Prepaid expenses	57,288	0	0	0	57,288
TOTAL ASSETS AND RESOURCES	$ 8,417,670	$ 810,999	$ 9,065,294	$ 1,483,266	$ 19,777,229
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	$ 602,493	$ 25,196	$ 1,927,103	$ 0	$ 2,554,792
Due to other funds	0	198,201	0	0	198,201
Unearned grant revenue	0	252,811	0	0	252,811
Current portion of accrued sick leave	114,007	0	0	0	114,007
TOTAL LIABILITIES	716,500	476,208	1,927,103	0	3,119,811
FUND BALANCES:					
Nonspendable	57,288	0	0	0	57,288
Restricted	343,393	334,791	7,138,191	1,483,266	9,299,641
Committed	872,927	0	0	0	872,927
Assigned	56,045	0	0	0	56,045
Unassigned	6,371,517	0	0	0	6,371,517
TOTAL FUND BALANCES	7,701,170	334,791	7,138,191	1,483,266	16,657,418
TOTAL LIABILITIES AND FUND BALANCES	$ 8,417,670	$ 810,999	$ 9,065,294	$ 1,483,266	$ 19,777,229

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

MARSHALL COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2019

Total governmental fund balance per fund financial statements		$ 16,657,418
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	$ 126,918,047	
Accumulated depreciation	(47,286,296)	79,631,751
Deferred outflows that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet		
Deferred loss from refunding bonds	616,457	
Deferred pension related outflows	3,186,704	
Deferred OPEB related outflows	1,813,412	5,616,573
Deferred inflows that are not due and payable in the current period and, therefore, are not reported as liabilities in the funds		
Deferred pension related inflows	(994,055)	
Deferred OPEB related inflows	(1,342,436)	(2,336,491)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Interest payable		(569,696)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(62,263,313)	
KSBIT payable	(43,742)	
Net pension liability	(12,118,292)	
Net OPEB liability	(15,341,653)	
Accrued sick leave payable	(572,780)	(90,339,780)
Internal service funds are used by management to charge the cost of dental insurance to individual funds. The assets and liabilities of this internal service fund not included in other reconciling items are:		
Current assets	306,421	
Current liabilities	(30,262)	276,159
Net position of governmental activities		$ 8,935,934

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

MARSHALL 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	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	$ 7,871,677	$ 0	$ 0	$ 2,568,958	$ 10,440,635
Motor Vehicle	1,535,859	0	0	0	1,535,859
Utilities	3,546,176	0	0	0	3,546,176
Occupational license tax	2,133,485	0	0	0	2,133,485
In Lieu of	1,156,128	0	0	0	1,156,128
Earnings on Investments	311,935	1,987	386,019	1,482	701,423
Student activities	0	292,403	0	0	292,403
Other local revenues	288,153	0	0	0	288,153
Intergovernmental - State	26,883,943	2,015,930	0	1,802,089	30,701,962
Intergovernmental - direct federal	0	530,677	0	0	530,677
Intergovernmental - indirect federal	67,476	2,368,370	0	0	2,435,846
TOTAL REVENUES	43,794,832	5,209,367	386,019	4,372,529	53,762,747
EXPENDITURES:					
Current:					
Instruction	27,070,671	4,310,052	0	0	31,380,723
Support Services:					
Student	2,174,671	94,987	0	0	2,269,658
Instructional Staff	1,032,946	235,444	0	0	1,268,390
District Administration	1,630,516	12,275	0	0	1,642,791
School Administration	2,620,946	0	0	0	2,620,946
Business	1,235,687	0	0	0	1,235,687
Plant operations and maintenance	4,753,031	119,955	0	0	4,872,986
Student transportation	2,529,982	77,971	0	0	2,607,953
Food service	3,208	0	0	0	3,208
Community service activities	56,368	361,047	0	0	417,415
Facilities acquisition and construction	1,960,171	0	17,701,845	0	19,662,016
Debt service	0	0	0	3,821,460	3,821,460
TOTAL EXPENDITURES	45,068,197	5,211,731	17,701,845	3,821,460	71,803,233
Excess (deficit) of revenues over expenditures	(1,273,365)	(2,364)	(17,315,826)	551,069	(18,040,486)
OTHER FINANCING SOURCES (USES):					
Sale or comp for loss of assets	185,469	0	0	0	185,469
Proceeds of revenue refunding bonds	0	0	1,627,562	0	1,627,562
Operating transfers in	533,456	88,650	103,738	3,393,213	4,119,057
Operating transfers out	(522,746)	(10,000)	0	(3,586,311)	(4,119,057)
TOTAL OTHER FINANCING SOURCES (USES)	196,179	78,650	1,731,300	(193,098)	1,813,031
Net change in fund balance	(1,077,186)	76,286	(15,584,526)	357,971	(16,227,455)
Fund Balance, July 1, 2018	8,778,356	258,505	22,722,717	1,125,295	32,884,873
Fund Balance, June 30, 2019	$ 7,701,170	$ 334,791	$ 7,138,191	$ 1,483,266	$ 16,657,418

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

MARSHALL COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

Net change in total governmental fund balances per fund financial statements		$ (16,227,455)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.		
Depreciation expense	(2,420,421)	
Capital outlays	20,384,564	17,964,143
Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.		
Gross proceeds from the sale of fixed assets	(185,469)	
Loss on the disposal of fixed assets	(137,958)	(323,427)
Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Bond proceeds	(1,627,562)	
Note principal paid	21,872	
Bond principal paid	1,978,000	372,310
Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.		
Amortization of deferred loss on early retirement of debt	(116,024)	
Bond issuance costs on new bond issue	(34,150)	
Amortization of bond discounts	(36,995)	(187,169)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. These net differences are as follows:		
Interest payable	(227,730)	
Pension expense	(1,517,338)	
Accrued sick leave	22,784	(1,722,284)
Internal service funds are used by management to charge the costs of dental insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.		(26,907)
Change in net position of governmental activities		$ (150,789)

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

MARSHALL COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2019

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS:				
Current Assets				
Cash and cash equivalents	$ 462,348	$ 0	$ 462,348	$ 304,443
Accounts receivable:				
Intergovernmental - indirect federal	8,811	0	8,811	0
Other accounts receivable	231	0	231	1,978
Inventory	43,647	0	43,647	0
Total current assets	515,037	0	515,037	306,421
Noncurrent Assets				
Capital assets	1,678,050	140,121	1,818,171	0
Less: accumulated depreciation	(1,317,985)	(132,103)	(1,450,088)	0
Total noncurrent assets	360,065	8,018	368,083	0
TOTAL ASSETS	$ 875,102	$ 8,018	$ 883,120	$ 306,421
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension related outflows	$ 452,666	$ 0	$ 452,666	$ 0
Deferred OPEB related outflows	148,573	0	148,573	0
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 601,239	$ 0	$ 601,239	$ 0
LIABILITIES:				
Current Liabilities				
Accounts payable	$ 163	$ 0	$ 163	$ 0
Current portion of accrued sick leave	4,012	0	4,012	0
Estimated claims payable, current	0	0	0	30,262
Total current liabilities	4,175	0	4,175	30,262
Noncurrent Liabilities				
Noncurrent portion of accrued sick leave	20,157	0	20,157	0
Net pension liability	1,721,378	0	1,721,378	0
Net OPEB liability	501,806	0	501,806	0
Total noncurrent liabilities	2,243,341	0	2,243,341	0
TOTAL LIABILITIES	$ 2,247,516	$ 0	$ 2,247,516	$ 30,262
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension related inflows	$ 141,204	$ 0	$ 141,204	$ 0
Deferred OPEB related inflows	95,234	0	95,234	0
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 236,438	$ 0	$ 236,438	$ 0
Net Position				
Net investment in capital assets	$ 360,065	$ 8,018	$ 368,083	$ 0
Restricted for food service	(1,367,678)	0	(1,367,678)	0
Other restricted	0	0	0	276,159
Total net position	$ (1,007,613)	$ 8,018	$ (999,595)	$ 276,159

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

MARSHALL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended June 30, 2019

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Operating Revenues:				
Lunchroom sales	$ 423,308	$ 0	$ 423,308	$ 0
Other operating revenues	9,663	0	9,663	0
Charges for services from other funds	0	0	0	303,775
COBRA revenues	0	0	0	12,543
Total operating revenues	432,971	0	432,971	316,318
Operating Expenses:				
Salaries and benefits	1,522,663	0	1,522,663	0
Contract services	20,776	0	20,776	28,585
Materials and supplies	1,423,550	0	1,423,550	0
Depreciation	47,395	2,290	49,685	0
Claims paid	0	0	0	321,593
Other operating expenses	19,092	0	19,092	0
Total operating expenses	3,033,476	2,290	3,035,766	350,178
Operating income (loss)	(2,600,505)	(2,290)	(2,602,795)	(33,860)
Non-Operating Revenues (Expenses):				
Federal grants	2,056,180	0	2,056,180	0
Donated commodities	159,921	0	159,921	0
State grants	419,588	0	419,588	0
Interest income	8,338	0	8,338	6,953
Total non-operating revenues	2,644,027	0	2,644,027	6,953
Change in net position	43,522	(2,290)	41,232	(26,907)
Net Position, July 1, 2018	(1,051,135)	10,308	(1,040,827)	303,066
Net Position, June 30, 2019	$ (1,007,613)	$ 8,018	$ (999,595)	$ 276,159

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

MARSHALL COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2019

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities:				
Cash received from:				
Lunchroom sales	$ 423,308	$ 0	$ 423,308	$ 0
Other operating revenues	18,884	0	18,884	10,565
Charges for services from other funds	0	0	0	303,775
Cash paid to/for:				
Employees	(1,090,699)	0	(1,090,699)	0
Contract services	(15,602)	0	(15,602)	(28,585)
Materials and supplies	(1,266,737)	0	(1,266,737)	0
Other operating expenses	(18,642)	0	(18,642)	(326,191)
Net cash provided by (used in) operating activities	(1,949,488)	0	(1,949,488)	(40,436)
Cash Flows from Non-Capital Financing Activities:				
Operating grants received	2,072,396	0	2,072,396	0
Net cash provided by (used in) non-capital financing activities	2,072,396	0	2,072,396	0
Cash Flows from Capital and Related Financing Activities:				
Purchases of capital assets	(17,589)	0	(17,589)	0
Net cash provided by (used in) capital and related financing activities	(17,589)	0	(17,589)	0
Cash Flows from Investing Activities:				
Interest income received	8,338	0	8,338	6,953
Net cash provided by (used in) investing activities	8,338	0	8,338	6,953
Net increase (decrease) in cash and cash equivalents	113,657	0	113,657	(33,483)
Cash and cash equivalents, July 1, 2018	348,691	0	348,691	337,926
Cash and cash equivalents, June 30, 2019	$ 462,348	$ 0	$ 462,348	$ 304,443
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (2,600,505)	$ (2,290)	$ (2,602,795)	$ (33,860)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	47,395	2,290	49,685	0
On behalf payments	394,561	0	394,561	0
Commodities used	159,921	0	159,921	0
Changes in assets and liabilities:				
Inventory	2,353	0	2,353	0
Deferred outflows of resources	138,602	0	138,602	0
Accounts receivable	9,221	0	9,221	(1,978)
Accounts payable	110	0	110	(4,598)
Accrued sick leave	(22,100)	0	(22,100)	0
Net pension liability	(5,544)	0	(5,544)	0
Net OPEB liability	(91,312)	0	(91,312)	0
Deferred inflows of resources	17,810	0	17,810	0
Net cash provided by (used in) operating activities	$ (1,949,488)	$ 0	$ (1,949,488)	$ (40,436)
Non-Cash Investing, Capital, and Financing Activities:				
Food commodities received	$ 159,921	$ 0	$ 159,921	$ 0
On behalf payments	394,561	0	394,561	0
Total Non-Cash Investing, Capital, and Financing Activities	$ 554,482	$ 0	$ 554,482	$ 0

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

MARSHALL COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2019

	Private Purpose Trust Funds	Agency Fund
ASSETS:		
Cash and cash equivalents	$ 371,102	$ 431,579
Accounts receivable	0	2,812
Total Assets	$ 371,102	$ 434,391
LIABILITIES:		
Accounts payable	$ 0	$ 14,162
Due to student groups	0	420,229
Total Liabilities	$ 0	$ 434,391
NET POSITION HELD IN TRUST	$ 371,102	$ 0

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

MARSHALL COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the Year Ended June 30, 2019

	Private Purpose Trust Funds
Additions:	
Interest income	$ 8,908
Contributions received	43,862
Total Additions	52,770
Deductions:	
Benefits paid	45,222
Total Deductions	45,222
Change in net position	7,548
Net position, July 1, 2018	363,554
Net position, June 30, 2019	$ 371,102

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

NOTE A – REPORTING ENTITY

The Marshall County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Marshall 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" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because 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 activities relevant to the operation of the Marshall County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

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

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

Marshall County School District Finance Corporation – In 1991, the Marshall County Board of Education resolved to authorize the establishment of the Marshall County School District Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The board members of the Marshall County Board of Education also comprise the Corporation's Board of Directors.

Marshall County Finance Office – On September 1, 1968, the Marshall County Fiscal Court formed the Marshall County Finance Office as an agency of the Board for collecting the .5% occupational license tax for schools. When the District began providing office space and the salary for the collector of the tax, the fund was included as an Agency Fund on the District's financial statements. Based on format changes to the statements under GASB 34, the Finance Office Fund activities were combined with the General Fund.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

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 all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation (continued)

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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

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

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. 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. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

a) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
b) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

(A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.

(B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal, and private grants where unused balances are returned to the grantor at the close of specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 73. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

(C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.

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

2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.

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

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

II. Proprietary Fund Types (Enterprise and Internal Service Funds)

(A) The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of $159,921 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

(B) The Adult Education Fund (Enterprise) is used to account for revenues from adult education programs.

(C) The Self-insurance Dental Fund (Internal Service) is used to account for the financing of risk management for dental and vision coverage.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

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

(A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds (Redbook).

(B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

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

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the 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 resources are expected to be received within sixty days of the fiscal 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 an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

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 grant revenue.

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2019, to finance operations were $.474 per $100 valuation for real property, $.474 per $100 valuation for business personal property and $.456 per $100 valuation for motor vehicles.

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

In addition, the District levies an occupational license tax of .5% on salaries, wages, commissions, and other compensation of individuals for work done and services performed or rendered in the county by resident individuals and on the net profits of all businesses, professions, or occupations from activities conducted in the county.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2019 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2019 consisted of insurance premiums paid during the fiscal year ended June 30, 2019 that included coverage for periods beyond June 30, 2019 and the cost of running water lines to the new South Marshall Middle School, which will be applied to the water bill each month until depleted.

Debt Costs

Unamortized discounts of $588,687 are included in the government-wide statements. Discounts are amortized over the lives of the related debt issues using the straight-line method.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. At its July 17, 2012 meeting, the Board approved a change to its Fixed Asset policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of $5,000 for real or personal property, including computer workstations. Larger thresholds apply to land improvements, buildings and building improvements, leasehold improvements, and infrastructure. Improvements to land and to buildings in excess of established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, 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 governmental and business-type capital assets:

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

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

Pensions and Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and Teachers Retirement System of the State of Kentucky (TRS) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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 investment and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as liabilities 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 liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact. At June 30, 2019, the District had $57,288 in nonspendable fund balance – prepaids.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2019, the District had $343,393 restricted for sick leave in the General Fund, $334,791 restricted for district activity funds in the Special Revenue Fund, $1,444,826 restricted for SFCC escrow in the FSPK fund, $7,138,191 restricted for future construction in the Construction Fund and $38,440 restricted for debt service in the Debt Service fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2019: $88,809 for SDBM carryforward, $10,617 for playground equipment, $719,759 for buses, $10,000 for digital curriculum and $43,742 for KSBIT insurance payable.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2019, was $56,045 in the General Fund. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance Classifications (Continued)

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2019.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Resources

The District does not have a policy regarding the use of restricted net position; however when an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's informal policy to use restricted resources first, then unrestricted resources as they are needed, with the exception of funds that are escrowed for SFCC, which must be released by the SFCC and KDE before being used.

Recent Accounting Pronouncements

In January, 2017, the GASB issued Statement 84, *Fiduciary Activities*. GASB 84 established criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This will change the way school activity funds will be reported in the financial statements, as most will be considered to be fiduciary activities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2018, which will be for the fiscal year ending June 30, 2020.

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NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

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

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 12, 2019, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

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

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year end, the carrying amount of the District's cash and cash equivalents was $19,370,902. The bank balance was $20,593,482. Of the bank balance, $19,084,680 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of $1,508,802 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

Note E - Capital Assets

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

Governmental Activities	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Capital Assets:				
Land	$ 1,441,592	$ 0	$ 75,119	$ 1,366,473
Land improvements	67,000	0	0	67,000
Buildings and improvements	84,428,678	297,853	949,423	83,777,108
Technology equipment	3,013,193	70,041	0	3,083,234
Vehicles	8,108,706	290,121	0	8,398,827
General Equipment	4,618,747	31,300	0	4,650,047
Construction	5,880,109	19,943,557	248,308	25,575,358
Totals at historical cost	107,558,025	20,632,872	1,272,850	126,918,047
Less: Accumulated depreciation				
Land improvements	23,111	3,350	0	26,461
Buildings and improvements	33,135,160	1,814,313	701,115	34,248,358
Technology equipment	3,022,423	10,780	0	3,033,203
Vehicles	5,539,287	443,575	0	5,982,862
General Equipment	3,847,009	148,403	0	3,995,412
Total accumulated depreciation	45,566,990	2,420,421	701,115	47,286,296
Governmental Activities Capital Assets - Net	$ 61,991,035	$ 18,212,451	$ 571,735	$ 79,631,751
Business-Type Activities				
Capital Assets:				
Buildings and improvements	$ 114,545	$ 0	$ 0	$ 114,545
Technology equipment	67,076	0	534	66,542
General Equipment	1,620,667	17,589	1,172	1,637,084
Totals at historical cost	1,802,288	17,589	1,706	1,818,171
Less: Accumulated depreciation				
Buildings and improvements	104,237	2,290	0	106,527
Technology equipment	67,076	0	534	66,542
General Equipment	1,230,796	47,395	1,172	1,277,019
Total accumulated depreciation	1,402,109	49,685	1,706	1,450,088
Business-Type Activities Capital Assets - Net	$ 400,179	$ (32,096)	$ 0	$ 368,083

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 1,174,058
Instructional staff support	3,371
District administration	33,043
School administrative support	3,558
Business support	399
Plant operation and maintenance	801,995
Student transportation	403,997
Total depreciation expense	$ 2,420,421

NOTE F – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Marshall County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Marshall County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

Following is a schedule of obligations existing at June 30, 2019:

Issue Date	Maturity Date	Interest Rates	Amount Outstanding
November 30, 2010	November 1, 2030	3.625%	$ 347,000
November 30, 2011	June 1, 2024	2.000% - 2.625%	7,225,000
December 30, 2014	November 1, 2034	2.000% - 3.375%	995,000
April 16, 2015	April 1, 2035	3.000% - 3.375%	23,090,000
January 6, 2016	May 1, 2027	1.000% - 3.000%	2,830,000
March 20, 2018	April 1, 2038	3.625% - 5.000%	11,025,000
June 27, 2018	August 1, 2038	3.625% - 5.000%	15,675,000
April 3, 2019	April 1, 2039	3.000% - 4.000%	1,665,000
			$ 62,852,000

In 1991 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, 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.

In November 2011, the Board issued bonds to advance refund outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after June 1, 2014. The defeased bonds were paid during a previous year. In the Statement of Net Position, the net costs associated with the early retirement of the issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were $1,272,087. Amortization for the year was $97,853 and is included as a component of interest expense.

In January, 2016, the Board issued bonds to advance refund outstanding 2007 School Building Revenue Bonds that were scheduled to mature on or after May 1, 2018. In the Statement of Net Position, the net costs associated with the early retirement of the issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were $199,878. Amortization for the year was $18,171 and is included as a component of interest expense. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due May 1, 2027.

In March, 2018, the Board issued $11,210,000 in Energy Conservation Revenue Bonds for the purpose of providing funds to pay the costs of the construction of energy savings measures at various schools and facilities within the District. The District is required to make semi-annual payments of principal and interest, with the final payment due April 1, 2038.

NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED

In June, 2018, the Board issued $15,675,000 in School Building Revenue Bonds for the purpose of renovations to Marshall County High School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due August 1, 2038.

In April, 2019, the Board issued $1,665,000 in School Building Revenue Bonds for the purpose of financing various projects, including roof replacement at South Marshall Elementary School, wastewater treatment plant replacement at Sharpe Elementary, and sanitary sewer and wastewater projects at Marshall County High School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due April 1, 2039.

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

	Marshall County School District		Kentucky School Facility Construction Commission		
Year	Principal	Interest	Principal	Interest	Total
2019-2020	$ 2,030,420	$ 1,930,652	$ 318,580	$ 133,703	$ 4,413,355
2020-2021	2,107,931	1,869,607	327,069	125,214	4,429,821
2021-2022	2,180,174	1,805,327	335,826	116,457	4,437,784
2022-2023	2,272,107	1,736,683	344,893	107,390	4,461,073
2023-2024	2,358,780	1,664,388	354,220	98,063	4,475,451
2024-2025	2,451,276	1,590,117	312,724	87,789	4,441,906
2025-2026	2,548,055	1,509,582	321,945	78,567	4,458,149
2026-2027	2,658,844	1,421,811	332,156	68,357	4,481,168
2027-2028	2,761,564	1,336,653	205,436	57,967	4,361,620
2028-2029	2,801,176	1,253,240	211,824	51,580	4,317,820
2029-2030	2,900,395	1,166,280	218,605	44,797	4,330,077
2030-2031	3,015,251	1,075,482	217,749	37,916	4,346,398
2031-2032	3,133,993	977,791	196,007	31,271	4,339,062
2032-2033	3,256,885	874,696	203,115	24,816	4,359,512
2033-2034	3,385,370	765,475	209,630	17,972	4,378,447
2034-2035	3,528,577	650,734	216,423	10,885	4,406,619
2035-2036	3,697,622	501,720	27,378	3,536	4,230,256
2036-2037	3,851,640	369,418	28,360	2,554	4,251,972
2037-2038	4,015,610	228,564	29,390	1,523	4,275,087
2038-2039	3,461,548	64,524	23,452	582	3,550,106
	$ 58,417,218	$ 22,792,744	$ 4,434,782	$ 1,100,939	$ 86,745,683

The District has an installment payment agreement with the Kentucky Department of Insurance to finance an assessment for workers compensation in the amount of $174,973. The District agreed to pay 25% ($43,743) by August 31, 2014 with the remainder to be paid in equal annual installments of $21,872, beginning August 15, 2015 through August 15, 2020. The agreement does not bear interest, unless payments are not made when due. In the event a payment is not paid when due, the past due payment will accrue interest at 12% until paid. At June 30, 2019, the District owed $43,742 on this agreement.

Interest incurred and charged to expense for fiscal year ended June 30, 2019 was $2,187,214.

NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019	Due Within One Year
Governmental:					
Bonds payable	$ 63,165,000	$ 1,665,000	$ 1,978,000	$ 62,852,000	$ 2,349,000
Less: Unamortized discounts	(622,394)	(3,288)	(36,995)	(588,687)	(36,994)
KSBIT payable	65,614	0	21,872	43,742	21,872
Sick leave	714,106	244,902	272,221	686,787	114,007
Net pension liability	11,106,923	1,011,369	0	12,118,292	0
Net OPEB liability	15,973,718	0	632,065	15,341,653	0
Totals	$ 90,402,967	$ 2,917,983	$ 2,867,163	$ 90,453,787	$ 2,447,885
Business-Type:					
Sick leave	$ 46,269	$ 2,582	$ 24,682	$ 24,169	$ 4,012
Net pension liability	1,726,922	0	5,544	1,721,378	0
Net OPEB liability	593,118	0	91,312	501,806	0
Totals	$ 2,366,309	$ 2,582	$ 121,538	$ 2,247,353	$ 4,012

NOTE G – EMPLOYEE BENEFITS

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

County Employees Retirement System Pension and Insurance Funds

Plan Descriptions and Benefits Provided - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems (KRS), an agency of the Commonwealth of Kentucky. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. CERS provides retirement, disability benefits, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living (COLA) adjustments are provided at the discretion of the State legislature. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The CERS also provides other post-employment benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund), which was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The insurance fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Kentucky Retirement Systems. The insurance fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of contribution paid by the insurance fund is based upon years of service. All participants enrolled in CERS are automatically enrolled in both the insurance fund and the pension fund. Information regarding the Insurance Fund is contained in the financial statements of the Kentucky Retirement Systems.

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Pension and Insurance Funds (Continued)

The Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be found on the KRS website at www.kyret.ky.gov.

Contributions – Contribution rates are established by the Kentucky Revised Statutes. Non-hazardous plan members who began participating prior to September 1, 2008 are required to contribute 5% of their annual creditable compensation. Plan members who began participating on or after September 1, 2008 are required to contribute an additional 1% for retirement health insurance coverage. Plan members who began participating on or after January 1, 2014 are required to contribute to the Cash Balance Plan which is a hybrid plan with characteristics of both a defined benefit plan and a defined contribution plan. Members in the Cash Balance Plan are required to contribute at the same rates as plan members who began participating on or after September 1, 2008. The employer contribution plan rates for non-hazardous plan members were 21.48% for the year ended June 30, 2019. The required contribution rates are made up of a portion that is attributed to the insurance fund and a portion attributed to the pension fund. For non-hazardous contributions, 16.22% is the rate for the pension fund and 5.26% is the rate for the insurance fund. The pension contributions for the fiscal year ended June 30, 2019 were $900,554. The insurance contributions for the fiscal year ended June 30, 2019 were $292,041. The actuarially determined contribution requirements of plan members and the District are established and may be amended by the KRS Board of Trustees.

County Employees Retirement System Pension Fund

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the District reported a liability of $13,839,670 for its proportionate share of the net pension liability. The total pension liability was rolled-forward from the actuarial valuation date of June 30, 2017 to the plan's fiscal year ended June 30, 2018, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on a projection of the District's share of contributions to the pension plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .227241% for non-hazardous employees.

As a result of its requirement to contribute to the CERS pension fund, the District recognized pension expense of $2,276,207 for the year ended June 30, 2019. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Net differences between projected and actual earnings on pension plan investments	$ 563,510	$ 80,045	$ 708,814	$ 100,686
Differences between expected and actual experience	395,264	56,147	177,387	25,197
Changes of assumptions	1,184,309	168,229	0	0
Change in proportion and differences between employer contributions and proportionate share of plan contributions	255,079	36,233	107,854	15,321
District contributions subsequent to the measurement date	788,542	112,012	0	0
Total	$ 3,186,704	$ 452,666	$ 994,055	$ 141,204

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Pension Fund (Continued)

Deferred outflows of resources in governmental activities of $788,542 and in business-type activities of $112,012 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Governmental Activities	Business-Type Activities
2020	$ 1,015,889	$ 144,305
2021	548,711	77,943
2022	(95,451)	(13,559)
2023	(65,042)	(9,239)

The net pension liability as of June 30, 2019 is based on the June 30, 2017 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2018 using generally accepted actuarial principles. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period that represents the weighted average service life of active and inactive members of the plan (3.46 years for non-hazardous plans).

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 the valuation date (June 30, 2017) to the plan's fiscal year ended June 30, 2018, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2008 to June 30, 2013. Subsequent to the actuarial valuation date (June 30, 2017) but prior to the measurement date, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the KRS Board of Trustees adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2018 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation - 2.30%
Salary increases - 3.05% average, including inflation
Investment rate of return – 6.25% net of pension plan investment expense, including inflation
Payroll growth rate – 2.00%

There was a change in benefit terms from the plan's fiscal year ended June 30, 2017 to the fiscal year ended June 30, 2018 as a result of House Bill 185, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to 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 there is no surviving spouse, the benefits to surviving dependent children increased from 10% of the member's final pay to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Pension Fund (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity – Large Cap	5.00%	4.50%
U.S. Equity – Mid Cap	6.00%	4.50%
U.S. Equity – Small Cap	6.50%	5.50%
Non U.S. Equity – International Developed	12.50%	6.50%
Non U.S. Equity – Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed – Global IG Credit	2.00%	3.75%
Credit Fixed – High Yield	7.00%	5.50%
Credit Fixed – Emerging Market Debt	5.00%	6.00%
Credit Fixed – Illiquid Private Credit	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash Equivalent	2.00%	1.50%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 6.25%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 25 year closed amortization period of the unfunded actuarial accrued liability. Once the unfunded actuarial accrued liability is fully amortized, the employer will only contribute the normal cost rate and the administrative expense rate on the close payroll for existing members.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, 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 (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount (6.25%)	1% Increase (7.25%)
District's proportionate share of net pension liability	$17,422,711	$13,839,670	$10,837,709

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

Payables to the pension plan – At June 30, 2019, the financial statements include $203,449 in payables to CERS for the pension and insurance funds.

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB)

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 $4,034,459 for its proportionate share of the net OPEB liability of non-hazardous employees. The total OPEB liability was rolled-forward from the actuarial valuation date of June 30, 2017 to the plan's fiscal year ended June 30, 2018, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on a projection of the District's share of contributions to the OPEB plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .227232% for non-hazardous employees.

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

As a result of its requirement to contribute to the CERS insurance fund, the District recognized OPEB expense of $531,017 for the year ended June 30, 2019. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Net differences between projected and actual earnings on OPEB plan investments	$ 0	$ 0	$ 243,330	$ 34,565
Differences between expected and actual experience	0	0	411,684	58,479
Changes of assumptions	705,523	100,218	8,162	1,159
Change in proportion and differences between employer contributions and proportionate share of plan contributions	84,700	12,031	7,260	1,031
District contributions subsequent to the measurement date	255,717	36,324	0	0
Total	$ 1,045,940	$ 148,573	$ 670,436	$ 95,234

Deferred outflows of resources in governmental activities of $255,717 and in business-type activities of $36,324 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:

Year Ended June 30	Governmental Activities	Business-Type Activities
2020	$ 26,858	$ 3,815
2021	26,858	3,815
2022	26,858	3,815
2023	74,117	10,528
2024	(16,444)	(2,336)
Thereafter	(18,460)	(2,622)

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued) -The net OPEB liability as of June 30, 2019 is based on the June 30, 2017 actuarial valuation rolled forward to the plan's fiscal year end of June 30, 2018 using generally accepted actuarial principles. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period that represents the weighted average of the remaining service life of active and inactive members of the plan (6.30 years for non-hazardous plans).

Actuarial Assumptions - The total OPEB liability, net OPEB liability, and sensitivity information for the actuarial valuation as of June 30, 2018 was based on an 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 ended June 30, 2018, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2008 to June 30, 2013. Subsequent to the actuarial valuation date (June 30, 2017) but prior to the measurement date, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the KRS Board of Trustees adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2018 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation - 2.30%
Salary increases - 3.05% average, including inflation
Investment rate of return – 6.25% net of OPEB plan investment expense, including inflation
Payroll growth rate – 2.00%
Healthcare trend rates – Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years (Pre-65). Initial trend rate starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years (Post-65).
Single discount rate – Prior measurement date: 5.84%; Measurement date: 5.85%
Municipal bond rate – Prior measurement date: 3.56%: Measurement date: 3.62%

There was a change in benefit terms from the plan's fiscal year ended June 30, 2017 to the fiscal year ended June 30, 2018 as a result of House Bill 185 which updated the provisions to now pay 100% of the insurance premiums for spouses and children of all active members who die in the line of duty.

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

Actuarial Assumptions (Continued) - The long-term expected rate of return on plan assets was determined by using a building block method in which best estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity – Large Cap	5.00%	4.50%
U.S. Equity – Mid Cap	6.00%	4.50%
U.S. Equity – Small Cap	6.50%	5.50%
Non U.S. Equity – International Developed	12.50%	6.50%
Non U.S. Equity – Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed – Global IG Credit	2.00%	3.75%
Credit Fixed – High Yield	7.00%	5.50%
Credit Fixed – Emerging Market Debt	5.00%	6.00%
Credit Fixed – Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash Equivalent	2.00%	1.50%
Total	100.00%	

Discount Rate - The discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over the remaining 25 year closed amortization period of the unfunded actuarial accrued liability. The cost associated with the implicit employer subsidy was not included in the calculation of the KRS's actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments from the retirement system. As a result, the Municipal Bond Index Rate from the prior measurement date, so as required under GASB 75, the single equivalent interest rate at the measurement date of 5.85% for non-hazardous was calculated using the Municipal Bond Index Rate as of the measurement date of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 75.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate - The following presents the District's proportionate share of the net OPEB liability 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:

	1% Decrease (4.85%)	Current Discount (5.85%)	1% Increase (6.85%)
District's proportionate share of net OPEB liability	$5,240,115	$4,034,459	$3,007,460

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend 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 collective 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 Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$3,003,695	$4,034,459	$5,249,433

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

Payables to the OPEB plan – At June 30, 2019, the financial statements include $203,449 in payables to CERS for the pension and insurance funds.

Teachers' Retirement System of the State of Kentucky General Information about the Pension Plan

Plan Description – Teaching-certified employees of the District 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 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/.

Benefits Provided - For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members 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 that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members 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 is 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 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Teachers' Retirement System of the State of Kentucky General Information about the Pension Plan (Continued)

Benefits Provided (Continued) - Final average salary is defined as the member's five (5) highest annual 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 the System effective July 1, 2015.

For members employed by local school districts, the Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105% of salaries for those who joined before July 1, 2008 and 14.105% for those who joined thereafter. 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 member contributions to the retirement annuity plan plus interest are refunded upon the member's request.

Medical Insurance Plan

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

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

Funding Policy - In order to fund the post-retirement healthcare benefit, 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 Commonwealth appropriation and three percent (3%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2019, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount of the Commonwealth's proportionate share of the net pension liability associated with the District was $86,105,546.

NOTE G – EMPLOYEE BENEFITS – CONTINUED

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

The total pension liability was rolled-forward from the actuarial valuation date of June 30, 2017 to the plan's fiscal year ended June 30, 2018, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the Commonwealth's proportion of the total liability of TRS that is related to the District was .6576%.

For the year ended June 30, 2019, the District recognized pension expense of $6,239,004 and revenue of $6,239,004 for support provided by the Commonwealth.

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

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	3.89%
Single Equivalent Interest Rate	7.50%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward one year for females and two years for males. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the TRS Board on November 19, 2016. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories	8.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	.9%
Total	100.0%	

NOTE G – EMPLOYEE BENEFITS – CONTINUED

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

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

The following table presents the net pension liability of the District, calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of net pension liability	$0	$0	$0

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

Teachers' Retirement System of the State of Kentucky General Information about the OPEB Plan

Plan Description – Teaching-certified employees of the District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. 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/.

Medical Insurance Plan

Plan Description - In addition to the OPEB benefits described above, KRS 161.675 requires TRS to provide access to post-employment healthcare benefits for eligible members and dependents. The TRS Medical Insurance Fund (MIF) is funded by employer and member contributions. 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 MIF offers coverage to members under the age of 65 through the Kentucky Employees Health Plan (KEHP) 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.

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Medical Insurance Plan (Continued)

Contributions - In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions, three quarters percent (.75%) from Commonwealth appropriation and three percent (3%) 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 OPEBs

At June 30, 2019, the District reported a liability of $11,809,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .340359%.

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

District's proportionate share of the net OPEB liability	$ 11,809,000
Commonwealth's proportionate share of the net OPEB liability associated with the District	10,177,000
Total	$ 21,986,000

For the year ended June 30, 2019, the District recognized OPEB expense of $1,319,000 and revenue of $522,491 for support provided by the Commonwealth. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Differences between expected and actual experience	$ 0	$ 0	$ 605,000	$ 0
Changes of assumptions	162,000	0	0	0
Net differences between projected and actual earnings on OPEB plan investments	0	0	48,000	0
Change in proportion and differences between employer contributions and proportionate share of contributions	0	0	19,000	0
District contributions subsequent to the measurement date	605,472	0	0	0
Total	$ 767,472	$ 0	$ 672,000	$ 0

NOTE G – EMPLOYEE BENEFITS – CONTINUED

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

Of the total amount reported as deferred outflows of resources related to OPEB, $605,472 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ended June 30	Governmental Activities	Business-Type Activities
2020	$ (103,000)	$ 0
2021	(103,000)	0
2022	(103,000)	0
2023	(81,000)	0
2024	(85,000)	0
Thereafter	(35,000)	0

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50-7.20%, including wage 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% by FY 2024
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5% by FY 2021
Medicare Part B Premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal Bond Index Rate	3.89%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including price inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience studies for TRS, which covered the five-year period ended June 30, 2015. The remaining actuarial assumptions 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 rate 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.

NOTE G – EMPLOYEE BENEFITS – CONTINUED

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Additional Categories	20.0%	3.3%
Cash	1.0%	.9%
Total	100.0%	

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 was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2017. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted.

The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of net OPEB liability	$13,848,000	$11,809,000	$10,111,000

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$9,793,000	$11,809,000	$14,298,000

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Life Insurance Plan

Plan Description – TRS administers the life insurance plan (LIF) as provided by KRS 161.655 to provide life insurance benefits to active and retired members. This benefit is financed by actuarially determined contributions from the 207 participating employers.

Benefits Provided - TRS provides a life insurance benefit of $5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of $2,000 payable for its active contributing members. The life insurance benefit is payable upon death of the member to the member's estate or to a party designated by the member.

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

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

At June 30, 2019, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the Commonwealth 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 Commonwealth support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$ 0
Commonwealth's proportionate share of the net OPEB liability associated with the District	175,000
Total	$ 175,000

For the year ended June 30, 2019, the District recognized OPEB expense of $6,063 and revenue of $6,063 for support provided by the Commonwealth.

Actuarial Assumptions - The total OPEB liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	4.00-8.10%, including wage inflation
Inflation rate	3.50%
Real Wage Growth	0.50%
Wage Inflation	4.00%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including price inflation.

NOTE G – EMPLOYEE BENEFITS – CONTINUED

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

Actuarial Assumptions (Continued) - Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ended June 30, 2015. The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Additional Categories	6.0%	3.3%
Cash	2.0%	.9%
Total	100.0%	

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 was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2017. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those assumptions, the LIF's fiduciary net position was not projected to be depleted.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of net pension liability	$0	$0	$0

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

NOTE H - COBRA

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

NOTE I – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

Employees of the District were covered by the District's dental and vision self-insurance plan (the "Plan"). The District contributed a set amount per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the District. The administrative contract between the District and the third party administrator is renewable annually and administrative fees are included in the contractual provisions. The costs associated with this self-insurance plan are reported as interfund transactions to the extent of amounts determined to be needed to fund the plan based on past history. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General, Special Revenue and Proprietary Funds. The liabilities of the Plan are based on estimated claims incurred but not yet reported to the third party administrator.

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

NOTE J – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

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

Contributions to Kentucky Teachers' Retirement System	$ 6,767,558
Technology	108,091
SFCC Debt Service	428,248
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	5,193,184
Total	$ 12,497,081

These payments are recorded in the General, Debt Service, and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

NOTE J – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION (Continued)

On-behalf contributions were charged to functions as follows:

Instruction	$ 8,447,119
Support services:	
Student	569,819
Instructional staff	370,109
District administration	126,960
School administration	700,483
Business	369,706
Plant operations and maintenance	599,050
Student transportation	491,026
Debt service	428,248
Food services	394,561
Total	$ 12,497,081

NOTE K – COMMITMENTS AND CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not 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.

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

NOTE L – COMMITMENTS FOR CONSTRUCTION

The District has entered into contracts for various construction projects, which are summarized as follows:

Project Name	Contract Amount	Paid/Accrued by June 30	Contract Balance
MCHS Renovation	$ 9,879,887	$ 7,085,459	$ 2,794,428
SES Addition and Renovations	1,802,264	1,331,769	470,495
Marshall County Schools GESC	8,992,566	8,262,227	730,339
SMES New Roof	138,200	118,660	19,540
MCHS Waste Water Connectors	306,576	69,306	237,270
JES WWTP Replacement	172,604	163,974	8,630
SES WWTP Replacement	207,180	196,821	10,359
Marshall County Schools Bus Garage	1,722,613	1,668,832	53,781

NOTE M – INTERFUND RECEIVABLES AND PAYABLES

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, and food service funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2019, which consisted of the following individual fund receivables and payables:

	Receivables	Payables
General Fund:		
Special Revenue Fund	$ 198,201	$ 0
Special Revenue Fund:		
General Fund	0	198,201

NOTE N – NET POSITION DEFICIT BALANCE:

The Food Service Fund has a deficit balance of $(1,007,613). Excluding the effect on net position for GASB 68 related pension accounts of $(1,409,916) and of GASB 75 related OPEB accounts of $(448,467), food service has a net position of $850,770. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE O - TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	$ 88,650
Operating	Capital Outlay	Debt Service	Debt Service	422,141
Operating	FSPK	Debt Service	Debt Service	2,536,976
Operating	General	Debt Service	Debt Service	434,096
Operating	FSPK	General	Capital funds request	523,456
Capital	FSPK	Construction	Construction	103,738
Operating	DAF	General	DAF funds	10,000

NOTE P – LITIGATION

The District is subject to legal actions, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the actions presently in progress.

NOTE Q – OPERATING LEASES

The District has entered into an agreement with Dell Financial Services for 885 Dell Latitudes for a total of $308,865. One payment remains on the lease of $102,954 during fiscal year ending June 30, 2020. The District also has a lease agreement with Apple Financial Services for electronic devices for a total of $139,540. One payment remains on the lease of $47,391.49 during fiscal year ending June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	$ 7,944,338	$ 8,000,000	$ 7,871,677	$ (128,323)
Motor Vehicle	1,548,145	1,500,000	1,535,859	35,859
Utilities	2,900,000	3,300,000	3,546,176	246,176
Occupational license tax	2,000,000	2,015,000	2,133,485	118,485
In Lieu of	1,200,000	1,156,128	1,156,128	0
Earnings on Investments	197,000	312,000	311,935	(65)
Other local revenues	117,162	214,162	288,153	73,991
Intergovernmental - State	26,524,867	26,742,569	26,883,943	141,374
Intergovernmental - indirect federal	107,000	107,000	67,476	(39,524)
TOTAL REVENUES	42,538,512	43,346,859	43,794,832	447,973
EXPENDITURES:				
Current:				
Instruction	27,365,033	27,433,139	27,070,671	362,468
Support Services:				
Student	2,209,641	2,219,640	2,174,671	44,969
Instructional Staff	1,096,822	1,106,822	1,032,946	73,876
District Administration	1,714,523	1,785,751	1,630,516	155,235
School Administration	2,789,244	2,763,877	2,620,946	142,931
Business	1,156,826	1,234,244	1,235,687	(1,443)
Plant operations and maintenance	5,194,541	5,778,339	4,753,031	1,025,308
Student transportation	2,341,912	2,691,367	2,529,982	161,385
Food services	1,500	1,500	3,208	(1,708)
Community services	58,421	64,421	56,368	8,053
Facilities acquisition and construction	2,124,891	2,189,216	1,960,171	229,045
Contingency	3,467,648	3,891,359	0	3,891,359
TOTAL EXPENDITURES	49,521,002	51,159,675	45,068,197	6,091,478
Excess (deficit) of revenues over expenditures	(6,982,490)	(7,812,816)	(1,273,365)	6,539,451
OTHER FINANCING SOURCES (USES):				
Sale or comp for loss of assets	85,000	165,000	185,469	20,469
Operating transfers in	247,119	533,456	533,456	0
Operating transfers out	(518,616)	(518,616)	(522,746)	(4,130)
TOTAL OTHER FINANCING SOURCES (USES)	(186,497)	179,840	196,179	16,339
Net Change in Fund Balance	(7,168,987)	(7,632,976)	(1,077,186)	6,555,790
Fund Balance, July 1, 2018	7,168,987	7,632,976	8,778,356	1,145,380
Fund Balance, June 30, 2019	$ 0	$ 0	$ 7,701,170	$ 7,701,170

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

NOTE: The on-behalf payments of $11,674,272 from the state are included in both revenues and expenditures in the actual column. While these payments were not required to be budgeted, the district did budget an amount of $11,530,972 in both revenues and expenditures.

MARSHALL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - SPECIAL REVENUE FUND

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Earnings on Investments	$ 4,000	$ 759	$ 1,987	$ 1,228
Student activities	0	0	292,403	292,403
Intergovernmental - State	1,881,956	1,752,156	2,015,930	263,774
Intergovernmental - direct federal	260,652	667,547	530,677	(136,870)
Intergovernmental - Indirect federal	2,383,900	2,441,212	2,368,370	(72,842)
TOTAL REVENUES	4,530,508	4,861,674	5,209,367	347,693
EXPENDITURES:				
Current:				
Instruction	3,922,211	4,254,421	4,310,052	(55,631)
Support Services:				
Student support services	173,981	96,018	94,987	1,031
Instructional Staff	190,091	194,923	235,444	(40,521)
District admin support	25,970	12,165	12,275	(110)
Plant operations and maintenance	0	209,818	119,955	89,863
Student transportation	31,545	78,664	77,971	693
Community service activities	271,230	361,047	361,047	0
TOTAL EXPENDITURES	4,615,028	5,207,056	5,211,731	(4,675)
Excess (deficit) of revenues over expenditures	(84,520)	(345,382)	(2,364)	343,018
OTHER FINANCING SOURCES (USES):				
Operating transfers in	84,520	99,278	88,650	(10,628)
Operating transfers out	0	0	(10,000)	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	84,520	99,278	78,650	(20,628)
Net Change in Fund Balance	0	(246,104)	76,286	322,390
Fund Balance, July 1, 2018	0	246,104	258,505	12,401
Fund Balance, June 30, 2019	$ 0	$ 0	$ 334,791	$ 334,791

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

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) PENSION FUND
LAST FIVE FISCAL YEARS*

	2019
District's proportion of the net pension liability	0.227241%
District's proportionate share of the net pension liability	$ 13,839,670
District's covered payroll	$ 5,631,644
District's proportionate share of the net pension liability as a percentage of its covered payroll	245.75%
Plan fiduciary net position as a percentage of the total pension liability	53.54%

Notes to Schedule

The total pension liability and net pension liability as of June 30, 2019, is based on the June 30, 2017 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2018 using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2017
Experience study:	July 1, 2008 - June 30, 2013
Actuarial cost method:	Entry age normal
Amortization method:	Level percent of pay
Remaining amortization period:	25 years, closed
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation:	2.30%
Payroll growth rate:	2.00%
Salary increase:	3.05%, average
Investment rate of return:	6.25%, net of pension plan investment expense, including inflation
Mortality:	For active members: 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: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). For disabled members: RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years).
Change of benefit terms:	House Bill 185 updated the provisions for active members who die in the line of duty. Benefits paid to spouses of deceased members increased from 25% of the member's final rate of pay to 75% of the member's average pay. If no surviving spouse, benefits to surviving dependent children increased from 10% of the member's final pay to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children
Change of assumptions:	None

See Notes to Financial Statements

2018	2017	2016	2015
0.219258%	0.226456%	0.223148%	0.224148%
$ 12,833,845	$ 11,149,839	$ 9,594,322	$ 7,272,199
$ 5,339,200	$ 5,409,008	$ 5,218,944	$ 5,142,164
240.37%	206.13%	183.84%	141.42%
53.32%	55.50%	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is based on the last measurement date of the net pension liability.

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) PENSION FUND
LAST SIX FISCAL YEARS*

	2019	2018
Contractually required contribution	$ 900,554	$ 820,440
Contributions in relation to the contractually required contribution	900,554	820,440
Contribution deficiency (excess)	$ 0	$ 0
District's covered payroll	$ 5,530,428	$ 5,631,644
Contributions as a percentage of covered payroll	16.28%	14.57%

* The amounts presented for each fiscal year were determined as of June 30. Until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

2017	2016	2015	2014
$ 744,101	$ 671,798	$ 663,060	$ 708,102
744,101	671,798	663,060	708,102
$ 0	$ 0	$ 0	$ 0
$ 5,339,200	$ 5,409,008	$ 5,218,944	$ 5,142,164
13.94%	12.42%	12.70%	13.77%

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) INSURANCE FUND
LAST TWO FISCAL YEARS*

	2019	2018
District's proportion of the net OPEB liability	0.227232%	0.219258%
District's proportionate share of the net OPEB liability	$ 4,034,459	$ 4,407,836
District's covered payroll	$ 5,631,644	$ 5,339,200
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	71.64%	82.56%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

Notes to Schedule

The total OPEB liability and net OPEB liability as of June 30, 2019, is based on the June 30, 2017 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2018 using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2017
Experience study:	July 1, 2008 - June 30, 2013
Actuarial cost method:	Entry age normal
Amortization method:	Level percent of pay
Remaining amortization period:	25 years, closed
Asset valuation method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year
Inflation:	2.30%
Payroll growth:	2.00%
Salary increase:	3.05%, average
Investment rate of return:	6.25%, net of OPEB plan investment expense, including inflation
Mortality:	For active members: 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: RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). For disabled members: RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years).
Healthcare trend rates:	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years (Pre-65). Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years (Post-65).
Change of benefit terms:	House Bill 185 updated the benefit provisions for active members who die in the line of duty. The system now pays 100% of the insurance premium for spouses and children of all active members who die in the line of duty.
Change of assumptions:	The single discount rate for non-hazardous changed from 5.84% to 5.85%. The municipal bond rate increased from 3.56% to 3.62%.

NOTE: This schedule is based on the last measurement date of the net OPEB liability.
See Notes to Financial Statements

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) INSURANCE FUND
LAST THREE FISCAL YEARS*

	2019	2018	2017
Contractually required contribution	$ 292,041	$ 266,304	$ 252,302
Contributions in relation to the contractually required contribution	292,041	266,304	252,302
Contribution deficiency (excess)	$ 0	$ 0	$ 0
District's covered payroll	$ 5,530,428	$ 5,631,644	$ 5,339,200
Contributions as a percentage of covered payroll	5.28%	4.73%	4.73%

* The amounts presented for each fiscal year were determined as of June 30. Until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end. District contributions do not include the expected implicit subsidy used in calculating the net OPEB liability.

See Notes to Financial Statements

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) PENSION FUND
LAST FIVE FISCAL YEARS*

	2019	2018
District's proportion of the net pension liability	0%	0%
District's proportionate share of the net pension liability	$ 0	$ 0
Commonwealth's proportion of the net pension liability associated with the District	0.657600%	0.644400%
Commonwealth's proportionate share of the net pension liability associated with the District	$ 86,105,546	$ 173,882,200
District's covered payroll	$ 21,643,569	$ 20,788,163
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered payroll	397.83%	836.45%
Plan fiduciary net position as a percentage of the total pension liability	59.28%	39.83%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

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

Valuation date:	June 30, 2017
Experience study:	July 1, 2010 - June 30, 2015
Actuarial cost method:	Entry age
Amortization method:	Level percentage of payroll, open
Remaining amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation:	3.00%
Salary increase:	3.5 - 7.3%, including inflation
Investment rate of return:	7.5%, net of pension plan investment expense, including inflation
Mortality:	RP-2000 Combined Mortality Table projected with Scale BB to 2025 (set forward two years for males and one year for females).
Municipal Bond Index Rate	3.89%
Single Equivalent Interest Rate	7.50%
Change of benefit terms:	None
Change of assumptions:	The calculation of the Single Equivalent Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

See Notes to Financial Statements

2017	2016	2015
0%	0%	0%
$ 0	$ 0	$ 0
0.656000%	0.648800%	0.631500%
$ 193,521,888	$ 150,988,190	$ 129,771,800
$ 20,946,065	$ 20,328,547	$ 19,790,966
923.91%	742.74%	655.71%
35.22%	42.49%	45.59%

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) PENSION FUND
LAST SIX FISCAL YEARS*

	2019	2018
Contractually required contribution	$ 6,501,120	$ 6,408,336
District's contributions in relation to the contractually required contribution - federal programs	262,116	230,406
Commonwealth's contributions in relation to the contractually required contribution	6,239,004	6,177,930
Contribution deficiency (excess)	$ 0	$ 0
District's covered payroll	$ 21,810,215	$ 21,643,569
Contributions as a percentage of District's covered payroll	29.81%	29.61%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

2017	2016	2015	2014
$ 3,397,289	$ 3,333,202	$ 3,262,359	$ 2,648,536
213,057	210,563	204,246	200,209
3,184,232	3,122,639	3,058,113	2,448,327
$ 0	$ 0	$ 0	$ 0
$ 20,788,163	$ 20,946,065	$ 20,328,547	$ 19,790,966
16.34%	15.91%	16.05%	13.38%

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) MEDICAL INSURANCE PLAN
LAST TWO FISCAL YEARS*

	2019	2018
District's proportion of the collective net OPEB liability	0.340359%	0.341005%
District's proportionate share of the collective net OPEB liability	$ 11,809,000	$ 12,159,000
Commonwealth's proportion of the collective net OPEB liability associated with the District	0.293318%	0.278553%
Commonwealth's proportionate share of the collective net OPEB liability associated with the District	$ 10,177,000	$ 9,933,000
District's covered payroll	$ 21,643,569	$ 20,788,163
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	54.56%	58.49%
Commonwealth's proportionate share of the collective net OPEB liability as a percentage of the District's covered payroll	47.02%	47.78%
Plan fiduciary net position as a percentage of the total OPEB liability	25.54%	21.18%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

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

Valuation date:	June 30, 2017
Experience study:	July 1, 2010 - June 30, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Amortization period:	23 years, closed
Asset valuation method:	5-year smoothed value
Investment rate of return:	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases:	3.50 - 7.20%, including wage inflation
Inflation rate:	3.00%
Real wage growth:	0.50%
Wage inflation:	3.50%
Municipal Bond Index Rate:	3.89%
Discount rate	8.00%
Single Equivalent Interest Rate:	8.00%, net of OPEB plan investment expense, including price inflation
Mortality:	Based on the RP-2000 Combined Mortality Table projected with Scale BB to 2025 (set forward two years for males and one year for females) for the period after service retirement and for dependent beneficiaries. Based on the RP-2000 Disabled Mortality Table set forward two years for males and seven years for females used for the period after disability retirement.
Health care cost trends:	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).
Change of benefit terms:	With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.
Change of assumptions:	Updated health care trend rates were implemented.

See Notes to Financial Statements

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) MEDICAL INSURANCE PLAN
LAST TWO FISCAL YEARS*

	2019	2018
Contractually required contribution	$ 1,128,777	$ 1,083,628
District's contributions in relation to the contractually required contribution -	606,286	606,389
Commonwealth's contributions in relation to the contractually required contribution	522,491	477,239
Contribution deficiency (excess)	$ 0	$ 0
District's covered payroll	$ 21,810,215	$ 21,643,569
Contributions as a percentage of District's covered payroll	5.18%	5.01%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) LIFE INSURANCE PLAN
LAST TWO FISCAL YEARS*

	2019	2018
District's proportion of the collective net OPEB liability	0%	0%
District's proportionate share of the collective net OPEB liability	$ 0	$ 0
Commonwealth's proportion of the collective net OPEB liability associated with the District	0.619250%	0.605441%
Commonwealth's proportionate share of the collective net OPEB liability associated with the District	$ 175,000	$ 133,000
District's covered payroll	$ 21,643,569	$ 20,788,163
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.00%	0.00%
Commonwealth's proportionate share of the collective net OPEB liability as a percentage of the District's covered payroll	0.81%	0.64%
Plan fiduciary net position as a percentage of the total OPEB liability	74.97%	79.99%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

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

Valuation date:	June 30, 2015
Experience study:	July 1, 2010 - June 30, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Amortization period:	30 years, open
Asset valuation method:	Market value
Annual money weighted rate of return	1.02%, net of investment expense
Projected salary increases:	4.00 - 8.10%, including wage inflation
Inflation rate:	3.50%
Real wage growth:	0.50%
Wage inflation:	4.00%
Discount rate	7.50%
Single Equivalent Interest Rate:	7.50%, net of OPEB plan investment expense, including price inflation
Change of benefit terms:	None
Change of assumptions:	None

See Notes to Financial Statements

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) LIFE INSURANCE PLAN
LAST TWO FISCAL YEARS*

	2019	2018
Contractually required contribution	$ 6,063	$ 5,842
District's contributions in relation to the contractually required contribution -	0	0
Commonwealth's contributions in relation to the contractually required contribution	6,063	5,842
Contribution deficiency (excess)	$ 0	$ 0
District's covered payroll	$ 21,810,215	$ 21,643,569
Contributions as a percentage of District's covered payroll	0.03%	0.03%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

OTHER SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	$ 0	$ 1,444,826	$ 38,440	$ 1,483,266
TOTAL ASSETS AND RESOURCES	$ 0	$ 1,444,826	$ 38,440	$ 1,483,266
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	$ 0	$ 0	$ 0	$ 0
TOTAL LIABILITIES	0	0	0	0
EQUITY AND FUND BALANCES:				
Restricted				
SFCC escrow	0	1,444,826	0	1,444,826
Debt service	0	0	38,440	38,440
TOTAL FUND BALANCES	0	1,444,826	38,440	1,483,266
TOTAL LIABILITIES AND FUND BALANCES	$ 0	$ 1,444,826	$ 38,440	$ 1,483,266

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

MARSHALL COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	$ 0	$ 2,568,958	$ 0	$ 2,568,958
Earnings on Investments	0	0	1,482	1,482
Intergovernmental - State	422,141	951,700	428,248	1,802,089
TOTAL REVENUES	422,141	3,520,658	429,730	4,372,529
EXPENDITURES:				
Debt service	0	0	3,821,460	3,821,460
TOTAL EXPENDITURES	0	0	3,821,460	3,821,460
Excess (deficit) of revenues over expenditures	422,141	3,520,658	(3,391,730)	551,069
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	0	3,393,213	3,393,213
Operating transfers out	(422,141)	(3,164,170)	0	(3,586,311)
TOTAL OTHER FINANCING SOURCES (USES)	(422,141)	(3,164,170)	3,393,213	(193,098)
Net Change in Fund Balance	0	356,488	1,483	357,971
Fund Balance, July 1, 2018	0	1,088,338	36,957	1,125,295
Fund Balance, June 30, 2019	$ 0	$ 1,444,826	$ 38,440	$ 1,483,266

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

MARSHALL COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

DEBT SERVICE FUNDS

For the Year Ended June 30, 2019

	2004 BONDS FUND	2010 BONDS FUND	2011 BONDS FUND	2014 BONDS FUND	2015 BONDS FUND
REVENUES:					
From local sources:					
Earnings on investments	$ 0	$ 0	$ 0	$ 24	$ 200
Intergovernmental - State	0	35,996	51,771	0	196,493
TOTAL REVENUES	0	35,996	51,771	24	196,693
EXPENDITURES:					
Debt Service:					
Principal	0	23,000	1,350,000	20,000	270,000
Interest	0	12,996	209,400	32,131	744,840
TOTAL EXPENDITURES	0	35,996	1,559,400	52,131	1,014,840
Excess (deficit) of revenues over expenditures	0	0	(1,507,629)	(52,107)	(818,147)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0	0	1,507,629	52,131	818,347
TOTAL OTHER FINANCING SOURCES (USES)	0	0	1,507,629	52,131	818,347
Net Change in Fund Balance	0	0	0	24	200
Fund balance July 1, 2018	547	0	0	13	244
Fund balance June 30, 2019	$ 547	$ 0	$ 0	$ 37	$ 444

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

2016 BONDS FUND	2018 BONDS FUND	2018B BONDS FUND	2019 BONDS FUND	NOW ACCOUNT	Totals Debt service Fund
$ 126	$ 131	$ 539	$ 30	$ 432	$ 1,482
137,109	0	6,879	0	0	428,248
137,235	131	7,418	30	432	429,730
130,000	185,000	0	0	0	1,978,000
77,925	419,410	346,758	0	0	1,843,460
207,925	604,410	346,758	0	0	3,821,460
(70,690)	(604,279)	(339,340)	30	432	(3,391,730)
70,816	604,411	339,879	0	0	3,393,213
70,816	604,411	339,879	0	0	3,393,213
126	132	539	30	432	1,483
4,965	98	0	0	31,090	36,957
$ 5,091	$ 230	$ 539	$ 30	$ 31,522	$ 38,440

MARSHALL COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET-SCHOOL ACTIVITY FUNDS

June 30, 2019

	Benton Elementary	Calvert Elementary	Central Elementary	Jonathan Elementary	Sharpe Elementary
ASSETS:					
Cash and cash equivalents	$ 11,457	$ 15,675	$ 17,782	$ 2,363	$ 9,900
Accounts Receivable	1,492	0	0	0	0
TOTAL ASSETS	$ 12,949	$ 15,675	$ 17,782	$ 2,363	$ 9,900
LIABILITIES:					
Accounts Payable	$ 397	$ 0	$ 713	$ 116	$ 0
Due to Student Groups	12,552	15,675	17,069	2,247	9,900
TOTAL LIABILITIES	$ 12,949	$ 15,675	$ 17,782	$ 2,363	$ 9,900
NET POSITION HELD IN TRUST	$ 0	$ 0	$ 0	$ 0	$ 0

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

South Elementary	North Middle	South Middle	Marshall County High School	Marshall County Technical Center	Totals (Memorandum Only)
$ 13,073	$ 30,576	$ 40,990	$ 249,333	$ 40,430	$ 431,579
0	298	15	1,007	0	2,812
$ 13,073	$ 30,874	$ 41,005	$ 250,340	$ 40,430	$ 434,391
$ 0	$ 1,642	$ 198	$ 8,683	$ 2,413	$ 14,162
13,073	29,232	40,807	241,657	38,017	420,229
$ 13,073	$ 30,874	$ 41,005	$ 250,340	$ 40,430	$ 434,391
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

MARSHALL COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN DUE TO STUDENT GROUPS

SCHOOL ACTIVITY FUNDS

For the Year Ended June 30, 2019

	Benton Elementary	Calvert Elementary	Central Elementary	Jonathan Elementary	Sharpe Elementary
REVENUES:					
From local sources:					
Earnings on Investments	$ 713	$ 497	$ 548	$ 176	$ 311
Student activities	62,473	42,962	38,596	30,603	32,497
Total Revenues	63,186	43,459	39,144	30,779	32,808
EXPENDITURES					
Student Activities	68,143	41,934	37,287	31,223	29,412
Total expenditures	68,143	41,934	37,287	31,223	29,412
Net Change in Due to Student Groups	(4,957)	1,525	1,857	(444)	3,396
Due to student groups, July 1, 2018	17,509	14,150	15,212	2,691	6,504
Due to student groups, June 30, 2019	$ 12,552	$ 15,675	$ 17,069	$ 2,247	$ 9,900

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

South Elementary	North Middle	South Middle	Marshall County High School	Marshall County Technical Center	Totals (Memorandum only)
$ 534	$ 1,213	$ 1,138	$ 6,655	$ 1,213	$ 12,998
36,612	125,987	116,160	658,519	31,884	1,176,293
37,146	127,200	117,298	665,174	33,097	1,189,291
41,031	128,121	101,768	635,756	42,395	1,157,070
41,031	128,121	101,768	635,756	42,395	1,157,070
(3,885)	(921)	15,530	29,418	(9,298)	32,221
16,958	30,153	25,277	212,239	47,315	388,008
$ 13,073	$ 29,232	$ 40,807	$ 241,657	$ 38,017	$ 420,229

MARSHALL COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS

MARSHALL COUNTY HIGH SCHOOL

FOR THE YEAR ENDED JUNE 30, 2019

	Cash Balance	*Receipts*		*Disbursements*	
	July 1, 2018	Actual	Budget	Actual	Budget
Student Fees	$ 0.00	$ 38,696.00	$ 43,700.00	$ 38,696.00	$ 38,600.00
Interest	5,784.20	27,654.64	3,600.00	2,445.79	9,000.00
MC Mason Benefit Fund	131.59	518.00	450.00	160.61	400.00
Student Activity	4,621.70	7,026.63	3,980.00	4,213.69	5,700.00
Student Benefit Fund	2,456.57	1,031.55	500.00	150.00	1,500.00
Student ID Fund	0.00	75.00	250.00	75.00	200.00
Book Fees	0.00	60.00	800.00	60.00	800.00
Parking	0.00	1,830.00	800.00	1,830.00	800.00
Academic	5,005.32	0.00	2,500.00	1,153.17	4,000.00
Administration/Staff	3,622.45	1,103.97	300.00	2,157.77	1,750.00
Beta/NHS Club	3,170.51	6,433.06	3,230.00	4,751.81	3,825.00
Marshall Café/Culinary	8,051.41	23,733.91	12,050.00	29,794.04	11,800.00
Card Mania Club	141.55	0.00	0.00	141.55	0.00
Club Interact	272.35	0.00	0.00	272.35	30.00
Journalism	667.78	0.00	0.00	667.78	0.00
D & D Club	0.00	141.55	0.00	0.00	0.00
Drama Club	12,784.08	10,521.43	4,000.00	11,279.31	3,100.00
FCA	538.31	605.00	0.00	342.00	300.00
FBLA	1,687.88	3,757.45	5,100.00	4,993.43	4,450.00
Functional Living	829.00	937.05	500.00	776.52	300.00
FFA	7,858.78	43,335.13	23,000.00	40,834.21	20,850.00
French Club	113.71	0.00	150.00	0.00	20.00
Gold Club	769.17	400.00	1,500.00	400.00	2,000.00
The Inventors Club	0.00	100.00	550.00	0.00	250.00
Marshall Girls	6,655.10	16,551.10	14,700.00	19,106.63	14,700.00
Marshall Militia (Pep)	2,655.54	11,400.00	12,000.00	9,684.21	12,000.00
Robotics	1,580.85	5,769.36	1,975.00	4,868.53	2,720.00
Science Olympiad	125.76	98.00	325.00	175.00	385.00
Spanish Club	674.94	180.00	690.00	212.93	575.00
Student Council	0.00	1,184.00	400.00	184.00	400.00
TSA	337.06	4,132.57	0.00	528.43	325.00
Agriculture	0.00	1,265.00	2,500.00	1,265.00	2,500.00
Art II	0.00	2,775.00	2,500.00	2,775.00	2,500.00
Art I	0.00	3,631.92	2,725.00	3,631.92	2,575.00
The Bass Fishing Team	363.13	586.87	500.00	950.00	500.00
Band	0.00	500.00	200.00	0.00	200.00
History/Govt. Trip	2,874.76	9,690.00	19,000.00	8,994.70	19,000.00
FCCLA	10,445.14	12,960.66	9,426.54	22,192.05	14,615.20
Jazz Ensemble	277.23	764.90	625.00	556.76	750.00
Improv Team	643.72	589.00	150.00	120.00	200.00
JCA	253.30	0.00	120.00	0.00	0.00
Kindness Club	0.00	190.00	0.00	163.85	0.00
Library Dept.	0.00	442.42	200.00	442.42	0.00
Leadership Dynamics	1,200.17	1,690.50	3,360.00	2,558.94	3,360.00
Speech Team	900.87	5,297.00	6,391.00	5,085.60	6,242.00
MC Special Olympics	626.91	0.00	0.00	383.00	600.00
MC Jr. Historical Society	0.00	1,334.61	0.00	1,319.61	0.00
Music/Choir	1,466.62	1,781.70	3,000.00	2,013.20	1,000.00
Mountain Biking Club	163.44	8,626.50	4,000.00	5,443.50	4,000.00
PBL-Project Base	0.00	612.50	0.00	612.00	0.00
Trap Shooting Club	2,581.97	11,516.00	8,900.00	11,646.11	7,750.00
Real World Publishing	0.00	584.60	1,550.00	584.60	1,550.00
Archery	0.00	1,999.60	1,000.00	1,999.60	1,000.00
Cheer Regional	2,977.76	0.00	0.00	0.00	0.00
Sub-total this page	95,310.63	274,114.18	203,197.54	252,692.62	209,122.20

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

MARSHALL COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS

MARSHALL COUNTY HIGH SCHOOL

FOR THE YEAR ENDED JUNE 30, 2019

	Cash Balance July 1, 2018	*Receipts* Actual	*Receipts* Budget	*Disbursements* Actual	*Disbursements* Budget
Bball District	$ 11,983.06	$ 2,935.66	$ 4,000.00	$ 8,238.65	$ 0.00
Athletics	1,471.16	155,577.11	110,680.00	136,781.41	80,100.00
Athletics-Tennis (A)	2,221.01	0.00	500.00	116.48	800.00
Athletics-Boys Basketball (A)	0.00	4,860.00	5,500.00	4,792.58	7,450.00
Athletics-Volleyball (A)	2,524.60	1,000.00	1,000.00	0.00	2,500.00
Athletics-Girls Basketball (A)	3,207.32	8,215.40	9,000.00	9,733.91	7,200.00
Athletics-Boys Golf (A)	278.95	1,901.05	1,300.00	1,860.00	810.00
Athletics-Football (A)	3,648.04	4,200.00	0.00	6,836.91	4,000.00
Athletics-Baseball (A)	1,801.00	200.00	1,000.00	200.00	1,500.00
Athletics - Girls Soccer (A)	1,462.89	9,244.30	7,900.00	8,041.83	6,500.00
Athletics-Boys Soccer (A)	1,285.20	8,047.14	1,720.00	4,588.51	775.00
Athletics-Track (A)	231.17	1,635.00	0.00	820.80	650.00
Athletics - Softball (A)	4,158.87	1,000.00	2,500.00	4,075.00	5,900.00
Athletics-Cross Country (A)	3,660.02	533.00	200.00	2,288.12	1,500.00
Athletics - Hoop Fest	0.00	116,020.01	70,800.00	107,350.63	66,150.00
Athletics-B/G District Soccer	6,304.70	9,166.00	2,000.00	9,799.17	2,000.00
Athletics-Soccer Subsectional	2,129.05	10,176.11	0.00	8,957.18	0.00
Athletics-Girls Golf (A)	165.03	2,760.00	1,000.00	2,583.00	1,359.00
Athletics-Swim Fund (A)	0.00	500.00	500.00	3.00	500.00
Athletics - Baseball (B)	392.56	2,200.00	2,200.00	2,592.56	2,200.00
Athletics-Girls Basketball (B)	0.00	10,700.00	10,700.00	10,700.00	10,700.00
Athletics-Boys Basketball (B)	0.00	13,767.02	10,700.00	13,767.02	10,700.00
Athletics-Football (B)	281.09	19,950.00	19,950.00	20,231.09	19,950.00
Athletics - Golf (B)	0.00	1,050.00	750.00	1,050.00	750.00
Athletics-Girls Golf (B)	0.00	925.00	750.00	925.00	750.00
Athletics - Boys Soccer (B)	0.00	3,750.00	3,500.00	3,750.00	3,500.00
Athletics - Girls Soccer (B)	0.00	5,480.92	3,500.00	5,480.92	3,500.00
Athletics - Softball (B)	226.50	2,200.00	2,200.00	2,405.00	2,200.00
Athletics - Swim Team (B)	0.00	1,000.00	500.00	1,000.00	500.00
Athletics - Tennis (B)	141.59	770.00	500.00	911.59	500.00
Athletics - Volleyball (B)	3,261.44	2,400.00	2,400.00	5,661.44	2,400.00
Athletics-Track (B)	0.00	3,300.00	3,300.00	3,300.00	3,300.00
Athletics - Cross Country (B)	1,363.86	4,488.12	2,200.00	5,851.98	3,563.86
Cheerleaders	12,891.60	11,602.78	2,157.00	15,200.30	14,000.00
Athletics - Middle School	1,294.34	0.00	0.00	0.00	0.00
Junior/Senior Class	22,045.92	10,370.00	10,800.00	9,660.66	9,100.00
Teenage Republicans	28.00	0.00	0.00	28.00	0.00
The Y Club	309.88	11,700.68	8,000.00	12,010.56	8,000.00
Annual	16,574.36	25,556.00	52,000.00	32,406.65	15,100.00
Guidance	6,228.62	5,102.40	150.00	5,677.58	1,900.00
Testing	1,536.78	20,841.03	1,450.00	20,077.00	1,450.00
Fine Arts Fund	10,445.34	6,032.82	3,000.00	2,356.09	3,000.00
DAF Instruction	0.00	90,671.83	0.00	90,671.83	0.00
DAF Athletics	0.00	3,413.11	0.00	3,413.11	0.00
DAF Prof Development	0.00	962.58	0.00	962.58	0.00
DAF Library	0.00	442.42	0.00	442.42	0.00
Subtotal this page	123,553.95	596,647.49	360,307.00	587,600.56	306,757.86
Subtotal from previous page	95,310.63	274,114.18	203,197.54	252,692.62	209,122.20
Total Central Fund	218,864.58	870,761.67	563,504.54	840,293.18	515,880.06
Less: Interfund Transfers	0.00	203,989.62	0.00	203,989.62	0.00
Total	$ 218,864.58	$ 666,772.05	$ 563,504.54	$ 636,303.56	$ 515,880.06

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

	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to June 30, 2019
Student Fees	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Interest	30,993.05	0.00	0.00	30,993.05
MC Mason Benefit Fund	488.98	0.00	0.00	488.98
Student Activity	7,434.64	0.00	0.00	7,434.64
Student Benefit Fund	3,338.12	0.00	0.00	3,338.12
Student ID Fund	0.00	0.00	0.00	0.00
Book Fees	0.00	0.00	0.00	0.00
Parking	0.00	0.00	0.00	0.00
Academic	3,852.15	0.00	0.00	3,852.15
Administration/Staff	2,568.65	0.00	1,526.51	1,042.14
Beta/NHS Club	4,851.76	0.00	1,824.02	3,027.74
Marshall Café/Culinary	1,991.28	0.00	0.00	1,991.28
Card Mania Club	0.00	0.00	0.00	0.00
Club Interact	0.00	0.00	0.00	0.00
Journalism	0.00	0.00	0.00	0.00
D & D Club	141.55	0.00	0.00	141.55
Drama Club	12,026.20	0.00	0.00	12,026.20
FCA	801.31	0.00	0.00	801.31
FBLA	451.90	0.00	0.00	451.90
Functional Living	989.53	0.00	0.00	989.53
FFA	10,359.70	0.00	0.00	10,359.70
French Club	113.71	0.00	0.00	113.71
Gold Club	769.17	0.00	0.00	769.17
The Inventors Club	100.00	0.00	0.00	100.00
Marshall Girls	4,099.57	0.00	0.00	4,099.57
Marshall Militia (Pep)	4,371.33	0.00	0.00	4,371.33
Robotics	2,481.68	0.00	0.00	2,481.68
Science Olympiad	48.76	0.00	0.00	48.76
Spanish Club	642.01	0.00	0.00	642.01
Student Council	1,000.00	0.00	0.00	1,000.00
TSA	3,941.20	0.00	3,073.22	867.98
Agriculture	0.00	0.00	0.00	0.00
Art II	0.00	0.00	0.00	0.00
Art I	0.00	0.00	0.00	0.00
The Bass Fishing Team	0.00	0.00	0.00	0.00
Band	500.00	0.00	0.00	500.00
History/Govt. Trip	3,570.06	0.00	0.00	3,570.06
FCCLA	1,213.75	0.00	0.00	1,213.75
Jazz Ensemble	485.37	0.00	0.00	485.37
Improv Team	1,112.72	0.00	0.00	1,112.72
JCA	253.30	0.00	0.00	253.30
Kindness Club	26.15	0.00	0.00	26.15
Library Dept.	0.00	0.00	0.00	0.00
Leadership Dynamics	331.73	0.00	0.00	331.73
Speech Team	1,112.27	0.00	0.00	1,112.27
MC Special Olympics	243.91	0.00	0.00	243.91
MC Jr. Historical Society	15.00	0.00	0.00	15.00
Music/Choir	1,235.12	0.00	0.00	1,235.12
Mountain Biking Club	3,346.44	0.00	0.00	3,346.44
PBL-Project Base	0.50	0.00	0.00	0.50
Trap Shooting Club	2,451.86	0.00	0.00	2,451.86
Real World Publishing	0.00	0.00	0.00	0.00
Archery	0.00	0.00	0.00	0.00
Cheer Regional	2,977.76	0.00	0.00	2,977.76
Sub-total this page	116,732.19	0.00	6,423.75	110,308.44

	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to June 30, 2019
Bball District	$ 6,680.07	$ 0.00	$ 0.00	$ 6,680.07
Athletics	20,266.86	172.25	2,259.38	18,179.73
Athletics-Tennis (A)	2,104.53	0.00	0.00	2,104.53
Athletics-Boys Basketball (A)	67.42	0.00	0.00	67.42
Athletics-Volleyball (A)	3,524.60	0.00	0.00	3,524.60
Athletics-Girls Basketball (A)	1,688.81	0.00	0.00	1,688.81
Athletics-Boys Golf (A)	320.00	0.00	0.00	320.00
Athletics-Football (A)	1,011.13	0.00	0.00	1,011.13
Athletics-Baseball (A)	1,801.00	0.00	0.00	1,801.00
Athletics - Girls Soccer (A)	2,665.36	0.00	0.00	2,665.36
Athletics-Boys Soccer (A)	4,743.83	295.00	0.00	5,038.83
Athletics-Track (A)	1,045.37	0.00	0.00	1,045.37
Athletics - Softball (A)	1,083.87	0.00	0.00	1,083.87
Athletics-Cross Country (A)	1,904.90	0.00	0.00	1,904.90
Athletics - Hoop Fest	8,669.38	0.00	0.00	8,669.38
Athletics-B/G District Soccer	5,671.53	0.00	0.00	5,671.53
Athletics-Soccer Subsectional	3,347.98	0.00	0.00	3,347.98
Athletics-Girls Golf (A)	342.03	300.00	0.00	642.03
Athletics-Swim Fund (A)	497.00	0.00	0.00	497.00
Athletics - Baseball (B)	0.00	0.00	0.00	0.00
Athletics-Girls Basketball (B)	0.00	0.00	0.00	0.00
Athletics-Boys Basketball (B)	0.00	0.00	0.00	0.00
Athletics-Football (B)	0.00	0.00	0.00	0.00
Athletics - Golf (B)	0.00	0.00	0.00	0.00
Athletics-Girls Golf (B)	0.00	0.00	0.00	0.00
Athletics - Boys Soccer (B)	0.00	0.00	0.00	0.00
Athletics - Girls Soccer (B)	0.00	0.00	0.00	0.00
Athletics - Softball (B)	21.50	0.00	0.00	21.50
Athletics - Swim Team (B)	0.00	0.00	0.00	0.00
Athletics - Tennis (B)	0.00	0.00	0.00	0.00
Athletics - Volleyball (B)	0.00	0.00	0.00	0.00
Athletics-Track (B)	0.00	0.00	0.00	0.00
Athletics - Cross Country (B)	0.00	0.00	0.00	0.00
Cheerleaders	9,294.08	240.00	0.00	9,534.08
Athletics - Middle School	1,294.34	0.00	0.00	1,294.34
Junior/Senior Class	22,755.26	0.00	0.00	22,755.26
Teenage Republicans	0.00	0.00	0.00	0.00
The Y Club	0.00	0.00	0.00	0.00
Annual	9,723.71	0.00	0.00	9,723.71
Guidance	5,653.44	0.00	0.00	5,653.44
Testing	2,300.81	0.00	0.00	2,300.81
Fine Arts Fund	14,122.07	0.00	0.00	14,122.07
DAF Instruction	0.00	0.00	0.00	0.00
DAF Athletics	0.00	0.00	0.00	0.00
DAF Prof Development	0.00	0.00	0.00	0.00
DAF Library	0.00	0.00	0.00	0.00
Subtotal this page	132,600.88	1,007.25	2,259.38	131,348.75
Subtotal from previous page	116,732.19	0.00	6,423.75	110,308.44
Total Central Fund	249,333.07	1,007.25	8,683.13	241,657.19
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	$ 249,333.07	$ 1,007.25	$ 8,683.13	$ 241,657.19

MARSHALL COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION--ALL PRIVATE PURPOSE TRUST FUNDS

June 30, 2019

	Benton High Alumni	A & JD Bohannon	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley	J. Burnett Holland	Holland Rose
ASSETS:											
Cash and cash equivalents	$ 3,863	$ 7,897	$ 65,429	$ 28,996	$ 3,392	$ 24,899	$ 617	$ 33,661	$ 3,311	$ 47,571	$ 3,296
TOTAL ASSETS	$ 3,863	$ 7,897	$ 65,429	$ 28,996	$ 3,392	$ 24,899	$ 617	$ 33,661	$ 3,311	$ 47,571	$ 3,296
NET POSITION HELD IN TRUST	$ 3,863	$ 7,897	$ 65,429	$ 28,996	$ 3,392	$ 24,899	$ 617	$ 33,661	$ 3,311	$ 47,571	$ 3,296

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

W. & L. Holland Memorial	Landon Lovett Memorial	Steve Martin	Mary Alice Newton	Andy Riley	Charlie & Cora Walker	North Marshall Alumni	Buddy Poe Memorial	Dasha Roberts Memorial	Reed Vocational Technical	Totals (Memorandum Only)
$ 107,982	$ 14,332	$ 6,182	$ 563	$ 7,512	$ 5,900	$ 1,204	$ 4,489	$ 6	$ 0	$ 371,102
$ 107,982	$ 14,332	$ 6,182	$ 563	$ 7,512	$ 5,900	$ 1,204	$ 4,489	$ 6	$ 0	$ 371,102
$ 107,982	$ 14,332	$ 6,182	$ 563	$ 7,512	$ 5,900	$ 1,204	$ 4,489	$ 6	$ 0	$ 371,102

MARSHALL COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST

ALL PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2019

REVENUES:	Benton High Alumni	A & JD Bohannon	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley	J. Burnett Holland
From local sources:										
Earnings on Investments	$ 93	$ 190	$ 1,748	$ 694	$ 83	$ 596	$ 15	$ 806	$ 79	$ 1,099
Contributions	0	0	0	0	0	0	0	0	0	4,000
Total Revenues	93	190	1,748	694	83	596	15	806	79	5,099
EXPENDITURES										
Benefits paid	0	0	700	0	500	387	0	0	0	750
Total expenditures	0	0	700	0	500	387	0	0	0	750
Net Change in Position Held in Trust	93	190	1,048	694	(417)	209	15	806	79	4,349
Net Position Held in Trust at July 1, 2018	3,770	7,707	64,381	28,302	3,809	24,690	602	32,855	3,232	43,222
Net Position Held in Trust at June 30, 2019	$ 3,863	$ 7,897	$ 65,429	$ 28,996	$ 3,392	$ 24,899	$ 617	$ 33,661	$ 3,311	$ 47,571

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

Holland Rose	W. & L. Holland Memorial	Landon Lovett Memorial	Steve Martin	Mary Alice Newton	Andy Riley	Charlie & Cora Walker	North Marshall Alumni	Buddy Poe Memorial	Dasha Roberts Memorial	Reed Vocational Technical	Totals (Memorandum Only)
$ 79	$ 2,451	$ 315	$ 156	$ 14	$ 180	$ 141	$ 28	$ 117	$ 24	$ 0	$ 8,908
0	0	2,400	0	0	0	0	0	440	2,087	34,935	43,862
79	2,451	2,715	156	14	180	141	28	557	2,111	34,935	52,770
0	1,500	1,200	500	0	0	0	0	1,000	3,750	34,935	45,222
0	1,500	1,200	500	0	0	0	0	1,000	3,750	34,935	45,222
79	951	1,515	(344)	14	180	141	28	(443)	(1,639)	0	7,548
3,217	107,031	12,817	6,526	549	7,332	5,759	1,176	4,932	1,645	0	363,554
$ 3,296	$ 107,982	$ 14,332	$ 6,182	$ 563	$ 7,512	$ 5,900	$ 1,204	$ 4,489	$ 6	$ 0	$ 371,102

MARSHALL 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 /Project Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Education:				
Received Direct:				
School Safety National Activities	84.184	534EV	$ 0	$ 323,456
Total Direct			0	323,456
Passed Through State Dept. of Education:				
Special Education Grants to States	84.027	3810002-17 & 18	0	1,008,680
Special Education Preschool Grants	84.173	3800002-17 & 18	0	59,494
Total Special Education Cluster			0	1,068,174
Title I Grants to Local Educational Agencies	84.010	3100002-16, 17, & 18	0	861,142
Supporting Effective Instruction State Grants	84.367	3230002-17 & 18	0	158,735
Career and Technical Education Basic Grants to States	84.048	3710002-16, 17 & 18	0	44,224
Student Support and Academic Enrichment Program	84.424	3420002-18	0	36,470
Total Passed through State			0	2,168,745
TOTAL U.S. DEPARTMENT OF EDUCATION			**0**	**2,492,201**
U.S. Department of Justice:				
Received Direct:				
Victims of Crime Act	16.575	561E	0	207,221
Total Direct			0	207,221
TOTAL U.S. DEPARTMENT OF JUSTICE			**0**	**207,221**
U.S. Department of Health & Human Services:				
Passed Through State Dept. of Education:				
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	2100001-18	0	400
Passed through Murray Board of Education:				
Head Start	93.600	655E	0	199,625
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			**0**	**200,025**
U.S. Department of Agriculture:				
Passed through State Dept. of Education:				
National School Lunch Program - cash	10.555	7750002-18 & 19	0	1,479,294
National School Lunch Program - donated foods (Note B)	10.555	N/A	0	159,921
School Breakfast Program	10.553	7760005-18 & 19	0	552,546
Summer Food Service Program for Children	10.559	7690024-18 & 7740023-18	0	10,340
Total Child Nutrition Cluster			0	2,202,101
	10.579	7840027-16	0	14,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE			**0**	**2,216,101**
TOTAL FEDERAL ASSISTANCE			**$ 0**	**$ 5,115,548**

See accompanying notes to schedule of expenditures of federal awards

MARSHALL COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Marshall County School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 Marshall County School District, it is not intended to and does not present the financial position or changes in financial position of the Marshall County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.
(2) The Marshall County School District did not elect to use the 10% *de minimus* indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2019 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE D – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconcilement of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 14 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 17 of the audit report:

Total intergovernmental – indirect federal from page 14	$	2,435,846
Total intergovernmental – direct federal from page 14		530,677
Total federal grants from page 17		2,056,180
Donated commodities from page 17		159,921
Amount coded to expenditures		400
Less: Amount of federal funds received as services, such as Medicaid		(67,476)
Total on page 73	$	5,115,548

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

I have audited, in accordance with the 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 *Kentucky Public School Districts' Independent Auditor's Contract,* including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Submission Instructions,* the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Marshall County School District's basic financial statements, and have issued my report thereon dated November 12, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marshall County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract.*

I noted certain matters that I reported to management of the Marshall County School District in a separate letter dated November 12, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Benton, Kentucky
November 12, 2019

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INDEPENDENT AUDITOR'S 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
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Marshall County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request,* and *Appendix II to the Independent Auditor's Contract – Submission Instructions*. Those standards and the Uniform Guidance require that I 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 Marshall County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Benton, Kentucky
November 12, 2019

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Marshall County School District.

2. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of Marshall County School District were disclosed during the audit.

4. No material weaknesses or significant deficiencies in internal control over the major federal award programs were disclosed during the audit.

5. The auditor's report on compliance for the major federal award programs for Marshall County School District expresses an unmodified opinion on the major federal programs.

6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).

7. The programs tested as major programs included:

Name of Federal Program or Cluster	CFDA Number
Special Education Cluster:	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
School Safety National Activities	84.184
Victims of Crime Act	16.575

8. The threshold for distinguishing Types A and B programs was $750,000.

9. Marshall County School District was determined to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2019

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year required to be reported in this schedule.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year required to be reported in this schedule.

MANAGEMENT LETTER POINTS

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Marshall County School District
Benton, Kentucky

I have audited the financial statements of the Marshall County School District for the year ended June 30, 2019, and have issued my report thereon dated November 12, 2019. In planning and performing my audit of the financial statements of Marshall County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,

Benton, Kentucky
November 12, 2019

MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2019

UNCORRECTED PRIOR YEAR COMMENTS

North Marshall Middle – When examining a sample of cash disbursements in the prior year, we noted four instances where the purchase order was dated after the invoice date. We also noted eight instances of disbursements with no supporting invoice or standard invoice. In the current year, we noted several purchase orders that were dated after the invoice date and eight were not supported by either invoices or standard invoices, as listed in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

When reviewing the worksheet for a candy bar fundraiser in the prior year, we noted there was a shortage of $383 out of total potential sales of $3,060.00. There was no explanation for the shortage, although Form F-SA-2B includes a section for this. In the current year, there were two fundraisers for which the worksheet was not properly completed, as listed in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

Marshall County Technical Center – When examining a sample of cash disbursements in the prior year, we noted eight instances where the purchase order was prior to the invoice date, but the approval date was after the invoice date. In the current year, we noted four purchase orders that were not properly completed, as listed in the current year comments. See management's response in the current year comments section regarding the steps that will be taken to resolve this matter.

CORRECTED PRIOR YEAR COMMENTS

North Marshall Middle – When examining the basketball schedule and comparing home games to Forms F-SA-1 in the prior year, we noted that although there was a game scheduled at home on December 19, 2017, there was no Form F-SA-1 found for that date. There were ticket numbers missing between the ending ticket number for the game on December 14th and the beginning ticket number for the game on January 4th, but no deposit was noted on the list of receipts during that time frame. In the current year, each home game scheduled was supported by ticket sale forms.

MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2019

CURRENT YEAR COMMENTS

Central Elementary

Inventory Control Worksheets: When examining a sample of cash receipts, we noted that concessions sold at Little League basketball games by the STEAM Club were not supported by an inventory control worksheet. The only document on file was a multiple receipt form that listed the total collected. Form F-SA-5 should be used to keep track of items purchased, sold, and inventory amounts in order to know that the amounts collected are reasonable.

Management's Response: This was an oversight on the part of the school bookkeeper. School bookkeeper will use F-SA-5 going forward as required.

Jonathan Elementary

Cash Disbursements: When examining a sample of cash disbursements, we noted five instances where the purchase order was dated after the invoice date. We also noted three instances of disbursements with no supporting invoice or standard invoice. Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated". Purchasing policy #7 on the same page notes that "each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursements shall be supported by a standard invoice, which must be signed by the payee."

Management's Response: This was the first year for the school bookkeeper in this school. In this learning transition there were instances where the purchase order date was after the invoice date and where insufficient documentation existed. Throughout the year, the school bookkeeper received redbook training and experience.

Fundraiser Worksheet: There was one worksheet completed for shirts, spirit cards, and blizzards combined. The worksheet was not completed correctly. The deposits for these items were not kept separate so we could not calculate how much was collected for each type of item. Each type of item, as well as collections for that type of item, should be kept separate in order to properly calculate the amount over or short for each fundraiser. When items are not pre-ordered, the worksheet should have documentation included that will support how much should be collected, such as order forms.

Management's Response: Our fundraisers were all grouped together. I was unaware that each item should be calculated individually. This year, with redbook training and experience, I have kept all order forms & all documentation for fundraisers.

Sharpe Elementary

Cash Disbursements: When examining a sample of cash disbursements, we noted two instances where a check was written for start-up change but the person who received the check did not sign for it. Whether using a standard invoice or a ticket sales worksheet, the person who receives the check should sign to indicate the funds are to be used for start-up change.

Management's Response: I apologize, I was still learning the appropriate documentation. Beginning January, 2019, each check written for start-up change did have a standard invoice and was signed by the person who received the check. The two instances where a check was written for start-up change without documentation has been corrected by preparing a standard invoice and having the person who received the start-up change check sign that they did receive it.

CURRENT YEAR COMMENTS (Continued)

Sharpe Elementary (Continued)

Deficit Balance: The 4th Grade Resources activity fund ended the year with a deficit balance of $(197.30). Deficit balances are not allowed per Redbook. When a deficit occurs, a transfer should be made to the fund from the general fund to temporarily cover it.

Management's Response: I mistakenly paid an Amazon bill of $197.30 from the 780- 4th Grade Resource Account, and the bill should have been paid from 550- 4th Grade Project Fund. I did not realize it until the year was rolled over. However, I did transfer $197.30 from 550-4th Grade Project Fund to 780-4th Grade Resource Account to correct the mistake in FY 20.

North Marshall Middle

Cash Disbursements: When examining a sample of cash disbursements, we noted nine instances where the purchase order was dated after the invoice date. We also noted eight instances of disbursements with no supporting invoice or standard invoice. Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated". Purchasing policy #7 on the same page notes that "each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursements shall be supported by a standard invoice, which must be signed by the payee."

Management's Response: Principal spoke with the staff at the September faculty meeting about making sure they get their Purchase Orders approved before making purchases and also advised staff that invoices for every purchase must be provided to the bookkeeper for payment.

Fundraisers: When reviewing documentation to support a cookie dough fundraiser, we noted the worksheet was not complete and the vendor's invoice was only a statement with the total to pay. We could not determine that the deposits for sales of cookie dough were reasonable compared to the number of items ordered. We also noted a pizza fundraiser with no fundraiser worksheet completed. The vendor's invoice did indicate how much should be collected from the sale, but we could not match to the amounts deposited. Sponsors should complete the fundraiser worksheet to determine whether the amounts collected are reasonable compared to anticipated sales. When items are not pre-ordered, the worksheet should have documentation included that will support how much should be collected, such as order forms.

Management's Response: Bookkeeper spoke with the teachers about completing the fundraiser worksheets when sponsoring fundraisers. Bookkeeper will look back in the records from last year concerning the cookie dough and pizza fundraisers. Bookkeeper believes there is an invoice from both fundraisers showing how many items were ordered and how many items were sold. Bookkeeper will provide the invoice to central office and attach the invoices to the fundraiser worksheets.

Additionally, Central Office staff met with NMMS regarding fundraiser procedures. Bookkeeper was shown how to document this on the FSA2B form. Bookkeeper was also shown how to start the new year fundraiser worksheet form for this.

CURRENT YEAR COMMENTS (Continued)

Marshall County Technical Center

Purchasing: When examining a sample of cash disbursements, we noted four disbursements for which the purchase order was not properly completed. One was not dated, one was not signed, one was dated after the invoice date, and one disbursement did not have a purchase order attached. Purchasing policy #5, found on page 12 of the "Redbook" notes that "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated".

Management's Response: These incomplete purchase orders were oversights by former employees. Current administration is being diligent to enforce Redbook Purchasing Policy #5 by making sure all purchase orders are prepared and approved by the sponsor and principal before any purchases are made or any payments are obligated.