

**McCRACKEN COUNTY  
BOARD OF EDUCATION**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
With Independent Auditor's Reports**

**YEAR ENDED JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McCracken County Board of Education 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 schedules, schedules of net pension and OPEB liabilities and contributions on pages 4 through 8 and 49 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McCracken County Board of Education's basic financial statements. The combining nonmajor fund financial statements and combining and individual school activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 nonmajor fund financial statements, combining and individual school activity fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, combining and individual school activity fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019 on our consideration of the McCracken County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 McCracken County Board of Education's internal control over financial reporting and compliance.

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
October 22, 2019

**McCracken County Public School District—Paducah, Kentucky**  
**Management’s Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2019**

As management of the McCracken County School 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.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34 “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments” issued in June 1999.

**FINANCIAL HIGHLIGHTS**

- The government-wide beginning cash and cash equivalents balance for the District on July 1, 2018, was \$20,130,386. The government-wide ending cash and cash equivalents balance for the District on June 30, 2019, was \$56,355,846, which includes bond proceeds for construction projects.
- Interest income increased to a total of \$601,504 for all categories of funds. This is a 76% increase from last year due primarily to the investment of construction bond proceeds into an account with a favorable fixed interest rate as well as a minimum interest rate earned through the depository institution as related to the federal funds rate for non-construction funds.
- General Fund revenue accounted for \$62,005,900 in revenue, or 82% of all governmental revenues. Program specific revenues in the form of grants, construction, and other governmental units accounted for \$13,981,292, or 18% of total governmental revenues of \$75,987,192.
- The General Fund had \$62 million in revenue, which consisted primarily of the state program (SEEK), property, utility, and motor vehicle taxes. Excluding inter-fund transfers, there were almost \$62.6 million in General Fund expenditures. On-behalf payments by the State of Kentucky for retirement and benefits totaled over \$16 million for employees paid from the General Fund during FY19, as well as for technology. The General Fund revenues net on-behalf payments were over \$45.9 million and expenditures net of on-behalf payments were \$46.5 million.
- It is important to note that this is the third consecutive fiscal year that General Fund expenditures have exceeded General Fund Revenues. The excess expenditures have been one-time purchases of supplies and services, rather than unbalanced operations as a result of recurring expenses such as personnel and operational costs. The financial position which has been built over many years has allowed the District to obtain its own bond rating for the issuance of debt during FY19, resulting in a substantial savings in interest payment over the life of the bond issues. The strong financial position has also allowed the District to withstand state budget reductions and unfunded mandates without sacrificing services to students. However, if the District continues the trend of spending more than the revenue generated, this could result in a downgrade in bond rating for future bond issues. In addition, it could prove to be increasingly difficult to provide the same level of opportunities for students in the face of continued budget reductions and unfunded mandates and the state level without an increase in revenue.

**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 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 years.

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, district and school administration, business and plant operations, student transportation, community service activities, and capital leases for vehicles. Taxes and intergovernmental revenues also support fixed assets and related short- and long-term debt.

The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated accounting system including a chart of accounts for all Kentucky public school districts. All Kentucky public school districts utilize the Municipal Information System (MUNIS) accounting 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: 1) governmental, 2) proprietary, and 3) fiduciary funds. Proprietary funds are our food service and daycare operations. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-19 of this report.

**Notes to the financial statements.** The notes provide additional information 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 20-48 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, government-wide assets exceeded government-wide liabilities by \$25.7 million 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 outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay the 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 result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Summary of District's net position (in thousands of dollars):**

	Governmental Activities		Business-Type Activities		Total		% Change
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>18-19</u>
Current Assets	\$ 20,701	\$56,809	\$ 1,520	\$ 1,606	\$ 22,220	\$ 58,415	163%
Noncurrent Assets	<u>102,126</u>	<u>101,750</u>	<u>229</u>	<u>224</u>	<u>102,355</u>	<u>101,974</u>	<u>0%</u>
<b>Total Assets</b>	<b>122,827</b>	<b>158,559</b>	<b>1,748</b>	<b>1,830</b>	<b>124,575</b>	<b>160,389</b>	<b>29%</b>
<b>Deferred Outflows of Resources</b>	<b>8,326</b>	<b>7,530</b>	<b>1,067</b>	<b>919</b>	<b>9,393</b>	<b>8,449</b>	<b>-10%</b>
Current Liabilities	6,377	6,384	6	5	6,383	6,389	0%
Noncurrent Liabilities	<u>96,327</u>	<u>129,523</u>	<u>4,058</u>	<u>4,118</u>	<u>100,385</u>	<u>133,641</u>	<u>33%</u>
<b>Total Liabilities</b>	<b>102,704</b>	<b>135,907</b>	<b>4,064</b>	<b>4,123</b>	<b>106,769</b>	<b>140,029</b>	<b>31%</b>
<b>Deferred Inflows of Resources</b>	<b>1,012</b>	<b>2,796</b>	<b>138</b>	<b>264</b>	<b>1,150</b>	<b>3,060</b>	<b>166%</b>
Net Position							
Investment in capital assets, net of debt	42,967	8,789	229	224	43,196	9,013	-79%
Restricted	5,516	41,924	-	-	5,516	41,924	660%
Unrestricted	<u>(21,046)</u>	<u>(23,327)</u>	<u>(1,616)</u>	<u>(1,861)</u>	<u>(22,662)</u>	<u>(25,188)</u>	<u>11%</u>
<b>Total Net Position (Deficit)</b>	<b><u>\$ 27,436</u></b>	<b><u>\$ 27,387</u></b>	<b><u>\$ (1,387)</u></b>	<b><u>\$ (1,637)</u></b>	<b><u>\$ 26,049</u></b>	<b><u>\$ 25,749</u></b>	<b><u>-1.2%</u></b>

The District's total net position decreased slightly from \$27,436,000 million at the end of the prior fiscal year to \$27,387,000 million, primarily due to the recording of other post-employment benefits (OPEB) as required by the GASB 75, which was first implemented on the financial statements for the fiscal year ended June 30, 2018. The OPEB are in addition to employee pensions recorded in the financial statements are based on the liabilities associated with the state retirement system.



**Summary of District's change in net position (in thousands of dollars):**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% Change</u>
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>18-19</u>
<b>Revenues</b>							
<b>Program Revenues:</b>							
Charges for Services	\$ 261	\$ 105	\$ 1,311	\$ 1,243	\$ 1,572	\$ 1,348	-14%
Operating grants and contributions	7,073	7,005	3,850	4,432	10,923	11,436	5%
Capital grants and contributions	2,140	2,208	12	2	2,153	2,210	3%
<b>General Revenues:</b>							
Property taxes	18,560	19,566	-	-	18,560	19,566	5%
Vehicle taxes	1,997	2,012	-	-	1,997	2,012	1%
Other taxes	6,835	6,536	-	-	6,835	6,536	-4%
State sources	47,200	44,011	-	-	47,200	44,011	-7%
Transfers and Other	<u>528</u>	<u>1,126</u>	<u>15</u>	<u>(228)</u>	<u>543</u>	<u>898</u>	<u>65%</u>
<b>Total Revenues</b>	<b>84,595</b>	<b>82,570</b>	<b>5,189</b>	<b>5,449</b>	<b>89,784</b>	<b>88,019</b>	<b>-2%</b>
<b>Expenses</b>							
School operations	84,230	80,640	-	-	84,230	80,640	-4%
School food services	-	-	4,344	5,009	4,344	5,009	15%
School daycare	-	-	581	690	581	690	19%
Interest on debt	<u>1,949</u>	<u>1,980</u>	<u>-</u>	<u>-</u>	<u>1,949</u>	<u>1,980</u>	<u>2%</u>
<b>Total Expenses</b>	<b>86,179</b>	<b>82,619</b>	<b>4,926</b>	<b>5,699</b>	<b>91,105</b>	<b>88,319</b>	<b>-3%</b>
<b>Change in Net Position</b>	<b><u>\$ (1,585)</u></b>	<b><u>\$ (50)</u></b>	<b><u>\$ 263</u></b>	<b><u>\$ (250)</u></b>	<b><u>\$ (1,321)</u></b>	<b><u>\$ (300)</u></b>	<b><u>-77%</u></b>

The decrease in revenues in governmental funds is primarily due to a continuing decrease in state funding sources. Approximately 1/3 of the state funding decreases were offset by an increase in revenue generated from property taxes.

**COMMENTS ON BUDGET COMPARISONS**

- The District's total General Fund revenues for the fiscal year ended June 30, 2019, were \$62 million compared with budgeted revenues of \$45.3 million (net of beginning balance and fund transfers.)
- General Fund final budget compared to actual revenue varied from line item to line item with the ending actual balance being over \$16.6 million more than budget (favorable) primarily due to the recording of almost \$16 million in actual on-behalf payments from the state, which were not budgeted due to Kentucky Department of Education recommendations. Additionally, utility tax revenue, which is budgeted based on historical amounts, accounted for \$238,000 in unexpected revenue, as well as about \$275,000 in local tax revenue, due to high tax collection rates.
- The total cost of all programs and services to the General Fund was almost \$62.6 million including capital leases for the bus fleet, compared with budgeted expenses of \$59.6 million (net of fund transfers.) General

Fund budget expenditures compared to actual expenditures varied by \$2.9 million (unfavorable), which was primarily due to not budgeting for \$16 million in on-behalf expenditures that are recorded as adjusting journal entries after the fiscal year end. The net of the variance after excluding the on-behalf expenditures results in \$13 million less in expenditures than what was budgeted. This is due to not spending any contingency or reserve funds set aside in various areas of the budget.

- On-behalf payments include payments made by the Commonwealth of Kentucky for teacher retirements and health and life insurance benefits. In fiscal year ending June 30, 2019, these amounts for the General Fund totaled \$15,930,339. Payments by the Kentucky Department of Education (KDE) for technology network support on behalf of the district were \$115,605. These amounts were reflected as both actual fund revenues and actual fund expenditures, but not budgeted as fund revenues and expenditures, as recommended by KDE.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

Investment in capital assets, net of related debt, decreased by \$380,612 or 0.4%, due primarily to depreciation expense exceeding capital investments/asset additions.

## **COMMITMENT AND RESTRICTION OF FUND BALANCES**

With the implementation of GASB Statement No. 54 standards, the District is allowed to restrict a portion of the fund balance within the General Fund as legislation permits or to commit funds for a future purpose through Board action. These funds cannot be reclassified as unassigned without further Board action.

- Pursuant to Kentucky Revised Statute 161.155, up to 50% of the District's total sick leave liability for the current year may be escrowed to maintain funds necessary to pay employees who qualify for receipt of the benefit. The District restricted \$513,428 as of June 30, 2019, for this purpose.
- The Board took action on June 20, 2019, to allow Site Based Decision Making Councils to carry forward remaining funds from the FY19 allocation into FY20. This amount was \$160,108.
- The Board took action on June 18, 2015, to commit \$10,000 of the General Fund balance to future construction and related expenses. This commitment remains unchanged.

## **BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1 through June 30; other programs (i.e. federal dollars) operate on a different fiscal calendar, but they are reflected in the district overall budget. By law, the working budget must have a minimum 2% contingency. The District adopted this budget with a contingency that exceeded the minimum state requirement.

Questions regarding this report should be directed to:

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**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**GOVERNMENT WIDE**  
**As of June 30, 2019**

<b>ASSETS</b>	Governmental Activities	Business-type Activities	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 55,137,479	\$ 1,218,367	\$ 56,355,846
Receivables	1,671,791	276,992	1,948,783
Inventory	-	110,822	110,822
Prepaid expenses	-	-	-
<b>Total current assets</b>	<u>56,809,270</u>	<u>1,606,181</u>	<u>58,415,451</u>
<b>Noncurrent Assets</b>			
Capital assets			
Nondepreciable	5,311,257	-	5,311,257
Depreciable, net of accumulated depreciation	96,438,791	223,897	96,662,688
<b>Total noncurrent assets</b>	<u>101,750,048</u>	<u>223,897</u>	<u>101,973,945</u>
<b>Total assets</b>	<u>158,559,318</u>	<u>1,830,078</u>	<u>160,389,396</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension related outflows	3,763,061	656,739	4,419,800
Deferred other post employment benefits outflows	2,840,404	262,294	3,102,698
Deferred charge on refunding	926,427	-	926,427
<b>Total deferred outflows of resources</b>	<u>7,529,892</u>	<u>919,033</u>	<u>8,448,925</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	569,189	4,949	574,138
Accrued interest payable	371,426	-	371,426
Current portion of KSBIT assessment	14,004	-	14,004
Current portion of accrued sick leave	260,565	-	260,565
Current portion of bond obligations	4,052,826	-	4,052,826
Current portion of capital leases	521,727	-	521,727
Unearned revenue	594,008	-	594,008
<b>Total current liabilities</b>	<u>6,383,745</u>	<u>4,949</u>	<u>6,388,694</u>
<b>Noncurrent Liabilities</b>			
Pension obligations	18,066,630	3,188,228	21,254,858
Other post employment benefits	22,306,675	929,413	23,236,088
KSBIT Assessment	14,004	-	14,004
Noncurrent portion of bond obligations	85,849,194	-	85,849,194
Noncurrent portion of capital leases	2,520,091	-	2,520,091
Noncurrent portion of accrued sick leave	766,292	-	766,292
<b>Total noncurrent liabilities</b>	<u>129,522,886</u>	<u>4,117,641</u>	<u>133,640,527</u>
<b>Total liabilities</b>	<u>135,906,631</u>	<u>4,122,590</u>	<u>140,029,221</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension related inflows	495,261	87,399	582,660
Deferred other post employment benefits inflows	2,300,758	176,427	2,477,185
<b>Total deferred inflows of resources</b>	<u>2,796,019</u>	<u>263,826</u>	<u>3,059,845</u>
<b>NET POSITION</b>			
Net invested in capital assets	8,789,455	223,897	9,013,352
Restricted for:			
KSFCC - Debt Service	3,448,532	-	3,448,532
Capital projects	37,962,045	-	37,962,045
Other purposes	513,428	-	513,428
Unrestricted (deficit)	(23,326,900)	(1,861,202)	(25,188,102)
<b>Total net position (deficit)</b>	<u>\$ 27,386,560</u>	<u>\$ (1,637,305)</u>	<u>\$ 25,749,255</u>

The notes to the financial statements are an integral part of this statement.

**MCCRACKEN COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
GOVERNMENT WIDE  
For the Year Ended June 30, 2019**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
Instruction	\$ 55,545,744	\$ 57,714	\$ 6,370,154	\$ -	\$ (49,117,876)	\$ -	\$ (49,117,876)
Support services:							
Student	3,053,133	-	37,103	-	(3,016,030)	-	(3,016,030)
Instruction staff	1,732,413	-	3,751	-	(1,728,662)	-	(1,728,662)
District administrative	1,745,259	-	-	-	(1,745,259)	-	(1,745,259)
School administrative	3,877,976	-	-	-	(3,877,976)	-	(3,877,976)
Business and central office	2,065,700	-	905	-	(2,064,795)	-	(2,064,795)
Plant operation and maintenance	8,013,111	31,279	32,325	-	(7,949,507)	-	(7,949,507)
Student transportation	4,149,293	16,105	117,696	-	(4,015,492)	-	(4,015,492)
Facilities acquisition and construction	412	-	-	1,792,404	1,791,992	-	1,791,992
Community service activities	456,708	-	442,590	-	(14,118)	-	(14,118)
Interest on long-term debt	1,979,731	-	-	415,941	(1,563,790)	-	(1,563,790)
<b>Total governmental activities</b>	<u>82,619,480</u>	<u>105,098</u>	<u>7,004,524</u>	<u>2,208,345</u>	<u>(73,301,513)</u>	<u>-</u>	<u>(73,301,513)</u>
<b>Business-type Activities</b>							
Food service	5,009,165	746,990	4,283,696	-	-	21,521	21,521
Day care	690,052	496,399	148,218	1,879	-	(43,556)	(43,556)
<b>Total business-type activities</b>	<u>5,699,217</u>	<u>1,243,389</u>	<u>4,431,914</u>	<u>1,879</u>	<u>-</u>	<u>(22,035)</u>	<u>(22,035)</u>
<b>Total school district</b>	<u>\$ 88,318,697</u>	<u>\$ 1,348,487</u>	<u>\$ 11,436,438</u>	<u>\$ 2,210,224</u>	<u>\$ (73,301,513)</u>	<u>\$ (22,035)</u>	<u>\$ (73,323,548)</u>
<b>General Revenues</b>							
Property taxes					\$ 19,269,577	\$ -	\$ 19,269,577
Delinquent property tax					296,571	-	296,571
Motor vehicle taxes					2,012,264	-	2,012,264
Utility taxes					2,824,597	-	2,824,597
Other taxes					492,809	-	492,809
Revenue in lieu of taxes					3,219,036	-	3,219,036
Investment earnings					569,815	31,689	601,504
State aid formula and other grants					44,010,899	-	44,010,899
Gains (loss) on disposition of capital assets					(8,335)	-	(8,335)
Miscellaneous					304,579	-	304,579
Transfers					259,790	(259,790)	-
<b>Total general revenues</b>					<u>73,251,602</u>	<u>(228,101)</u>	<u>73,023,501</u>
Change in net position (deficit)					(49,911)	(250,136)	(300,047)
Net position (deficit) - beginning					27,436,471	(1,387,169)	26,049,302
Net position (deficit) - ending					<u>\$ 27,386,560</u>	<u>\$ (1,637,305)</u>	<u>\$ 25,749,255</u>

The notes to the financial statements are an integral part of this statement.

**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**As of June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Outlay Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,075,832	\$ 634,315	\$ 1,868,925
Other receivables	873,501	798,290	-
Due from other funds	777,728		-
Prepaid expenses	-	-	-
<b>Total assets</b>	<u>\$ 14,727,061</u>	<u>\$ 1,432,605</u>	<u>\$ 1,868,925</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 491,564	\$ 60,869	\$ -
Due to other funds	-	777,728	-
Unearned revenue	-	594,008	-
<b>Total liabilities</b>	<u>491,564</u>	<u>1,432,605</u>	<u>-</u>
<b>Fund Balances</b>			
Nonspendable			
Prepaid expenses	-	-	-
Restricted:			
Sick leave payable	513,428	-	-
KSFCC Debt Service	-	-	1,868,925
Capital Projects	-	-	-
Committed:			
Site based carry forward	160,108	-	-
Future construction projects	10,000	-	-
Assigned	88,667	-	-
Unassigned	13,463,294	-	-
<b>Total fund balances</b>	<u>14,235,497</u>	<u>-</u>	<u>1,868,925</u>
<b>Total liabilities and fund balances</b>	<u>\$ 14,727,061</u>	<u>\$ 1,432,605</u>	<u>\$ 1,868,925</u>

The notes to the financial statements are an integral part of this statement.

Construction Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
\$ 37,978,800	\$ 1,579,607	\$ -	\$ 55,137,479
-	-	-	1,671,791
-	-	-	777,728
-	-	-	-
<u>37,978,800</u>	<u>\$ 1,579,607</u>	<u>\$ -</u>	<u>\$ 57,586,998</u>

\$ 16,755	\$ -	\$ -	\$ 569,188
-	-	-	777,728
-	-	-	594,008
<u>16,755</u>	<u>-</u>	<u>-</u>	<u>1,940,924</u>

-	-	-	-
-	-	-	513,428
-	1,579,607	-	3,448,532
37,962,045	-	-	37,962,045
-	-	-	160,108
-	-	-	10,000
-	-	-	88,667
-	-	-	13,463,294
<u>37,962,045</u>	<u>1,579,607</u>	<u>-</u>	<u>55,646,074</u>
<u>\$ 37,978,800</u>	<u>\$ 1,579,607</u>	<u>\$ -</u>	<u>\$ 57,586,998</u>

**MCCRACKEN COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
As of June 30, 2019**

Total fund balances per fund financial statements \$ 55,646,074

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

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position. 101,750,048

Certain assets are not reported in this fund financial statements because they are not available to pay current-period expenditures, but they are reported in the statement of net position.

Deferred pension related outflows	\$	3,763,061	
Deferred other post employment benefits outflows		2,840,404	
Deferred charge on refunding		926,427	
			7,529,892

Certain liabilities are not reported in the fund financial statement because they are not due and payable with current resources, but they are presented in the statement of net position. These liabilities are as follows:

Accrued interest payable	\$	371,427	
KSBIT assessment		28,008	
Accrued sick leave		1,026,857	
Bond obligations		89,902,020	
Capital leases		3,041,818	
Deferred inflows		2,796,019	
Pension and OPEB obligations		40,373,305	
			(137,539,454)

Net position for governmental activities \$ 27,386,560

The notes to the financial statements are an integral part of this statement.

**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2019**

<b>Revenues</b>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Outlay Fund</u>
From local sources			
Property taxes	\$ 15,054,868	\$ -	\$ -
Motor vehicle taxes	2,012,264	-	-
Utility taxes	2,824,597	-	-
Other taxes	492,809	-	-
Tuition and fees	73,819	-	-
Earnings on investments	397,320	6,046	38,771
Other local revenues	-	81,969	-
State sources			
SEEK	21,300,368	-	632,086
On-behalf payments	16,045,944	-	-
Other	139,085	2,598,455	-
Federal - indirect	194,579	4,408,748	-
Revenue in lieu of taxes	3,219,036	-	-
Other revenues	251,211	-	-
<b>Total revenues</b>	<u>62,005,900</u>	<u>7,095,218</u>	<u>670,857</u>
<b>Expenditures</b>			
Instruction	38,272,616	6,573,352	-
Support services			
Student	2,666,790	38,286	-
Instruction staff	1,702,054	3,871	-
District administration	1,746,652	-	-
School administration	3,873,118	-	-
Business and central office	1,962,269	934	-
Plant operation and maintenance	7,404,982	33,356	-
Student transportation	4,361,996	121,450	-
Facilities acquisition and construction	-	-	-
Community service activities	-	456,708	-
Debt service	590,021	-	-
<b>Total expenditures</b>	<u>62,580,498</u>	<u>7,227,957</u>	<u>-</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(574,598)</u>	<u>(132,739)</u>	<u>670,857</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from debt issues	625,079	-	-
Bond issuance premium	-	-	-
Operating transfers in	259,790	132,739	500,000
Operating transfers out	(406,452)	-	(501,800)
<b>Total other financing sources (uses)</b>	<u>478,417</u>	<u>132,739</u>	<u>(1,800)</u>
<b>Net change in fund balances</b>	(96,181)	-	669,057
<b>Fund balance, July 1, 2018</b>	<u>14,331,678</u>	<u>-</u>	<u>1,199,868</u>
<b>Fund balance, June 30, 2019</b>	<u>\$ 14,235,497</u>	<u>\$ -</u>	<u>\$ 1,868,925</u>

The notes to the financial statements are an integral part of this statement.



Construction Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,511,280	\$ -	\$ 19,566,148
-	-	-	2,012,264
-	-	-	2,824,597
-	-	-	492,809
-	-	-	73,819
52,118	75,560	-	569,815
-	-	-	81,969
-	1,160,318	-	23,092,772
-	-	415,941	16,461,885
-	-	-	2,737,540
-	-	-	4,603,327
-	-	-	3,219,036
-	-	-	251,211
<u>52,118</u>	<u>5,747,158</u>	<u>415,941</u>	<u>75,987,192</u>
-	-	-	44,845,968
-	-	-	2,705,076
-	-	-	1,705,925
-	-	-	1,746,652
-	-	-	3,873,118
-	-	-	1,963,203
-	-	-	7,438,338
-	-	-	4,483,446
2,357,694	-	-	2,357,694
-	-	-	456,708
466,993	-	5,613,665	6,670,679
<u>2,824,687</u>	<u>-</u>	<u>5,613,665</u>	<u>78,246,807</u>
<u>(2,772,569)</u>	<u>5,747,158</u>	<u>(5,197,724)</u>	<u>(2,259,615)</u>
37,305,000	-	-	37,930,079
354,319	-	-	354,319
2,520,304	-	5,197,724	8,610,557
-	(7,442,515)	-	(8,350,767)
<u>40,179,623</u>	<u>(7,442,515)</u>	<u>5,197,724</u>	<u>38,544,188</u>
37,407,054	(1,695,357)	-	36,284,573
554,991	3,274,964	-	19,361,501
<u>\$ 37,962,045</u>	<u>\$ 1,579,607</u>	<u>\$ -</u>	<u>\$ 55,646,074</u>

**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2019**

Net change in total fund balances per fund financial statements		\$ 36,284,573
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense of \$4,353,691 exceeds capital outlays of \$3,986,059 for the year.		(367,632)
In the statement of activities, only the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets disposed.		(8,335)
The proceeds for the issuance of debt provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.		(37,930,079)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		4,351,087
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are as follows:		
Amorization of refunding costs	\$ (167,697)	
Amorization of bond discounts	(15,838)	
Amorization of bond premiums	164,264	
Deferral of current year bond premiums	(354,319)	(373,590)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These amounts are as follows		
Accrued payables	\$ (93,858)	
Accrued other post employment benefits	(166,567)	
Accrued pension expense	(1,690,235)	
Accrued leave	(55,275)	(2,005,935)
Change in net position per statement of activities		\$ (49,911)

The notes to the financial statements are an integral part of this statement.

**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION -**  
**PROPRIETARY FUNDS**  
**As of June 30, 2019**

ASSETS	Food Service Fund	Day Care Fund	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 852,057	\$ 366,310	\$ 1,218,367
Other receivables	265,783	11,209	276,992
Inventory	110,822	-	110,822
<b>Total current assets</b>	<u>1,228,662</u>	<u>377,519</u>	<u>1,606,181</u>
<b>Noncurrent Assets</b>			
Capital assets, net of accumulated depreciation	191,526	32,371	223,897
<b>Total noncurrent assets</b>	<u>191,526</u>	<u>32,371</u>	<u>223,897</u>
<b>Total assets</b>	<u>1,420,188</u>	<u>409,890</u>	<u>1,830,078</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension related outflows	573,835	82,904	656,739
Deferred other post employment benefits outflows	228,833	33,461	262,294
<b>Total deferred outflows of resources</b>	<u>802,668</u>	<u>116,365</u>	<u>919,033</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	2,485	2,464	4,949
<b>Total current liabilities</b>	<u>2,485</u>	<u>2,464</u>	<u>4,949</u>
<b>Total liabilities</b>	<u>2,485</u>	<u>2,464</u>	<u>4,949</u>
<b>Noncurrent Liabilities</b>			
Pension obligations	2,763,131	425,097	3,188,228
Other post employment benefits	805,491	123,922	929,413
<b>Total noncurrent liabilities</b>	<u>3,568,622</u>	<u>549,019</u>	<u>4,117,641</u>
<b>Total liabilities</b>	<u>3,571,107</u>	<u>551,483</u>	<u>4,122,590</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension related inflows	75,745	11,654	87,399
Deferred other post employment benefits inflows	152,904	23,523	176,427
<b>Total deferred inflows of resources</b>	<u>228,649</u>	<u>35,177</u>	<u>263,826</u>
<b>NET POSITION</b>			
Net invested in capital assets	191,526	32,371	223,897
Unrestricted (deficit)	<u>(1,768,426)</u>	<u>(92,776)</u>	<u>(1,861,202)</u>
<b>Total net position (deficit)</b>	<u>\$ (1,576,900)</u>	<u>\$ (60,405)</u>	<u>\$ (1,637,305)</u>

The notes to the financial statements are an integral part of this statement.

**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2019**

	Food Service Fund	Day Care Fund	Total
<b>Operating Revenues</b>			
Food service sales	\$ 732,302	\$ -	\$ 732,302
Community service activities	-	496,399	496,399
Other operating revenues	14,688	1,879	16,567
<b>Total operating revenues</b>	<u>746,990</u>	<u>498,278</u>	<u>1,245,268</u>
<b>Operating Expenses</b>			
Salaries and wages	2,489,933	543,592	3,033,525
Professional and contract services	65,039	41,814	106,853
Supplies and materials	2,370,584	68,193	2,438,777
Depreciation	39,972	9,455	49,427
Other operating expenses	43,637	26,998	70,635
<b>Total operating expenses</b>	<u>5,009,165</u>	<u>690,052</u>	<u>5,699,217</u>
<b>Operating income (loss)</b>	<u>(4,262,175)</u>	<u>(191,774)</u>	<u>(4,453,949)</u>
<b>Nonoperating revenues (expenses)</b>			
Federal grants	3,401,287	-	3,401,287
Donated commodities	266,817	-	266,817
State grants	37,003	9,056	46,059
On-behalf state contributions	578,588	139,163	717,751
Interest income	23,659	8,030	31,689
<b>Total nonoperating revenues (expenses)</b>	<u>4,307,354</u>	<u>156,249</u>	<u>4,463,603</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>45,179</u>	<u>(35,525)</u>	<u>9,654</u>
Transfers in	-	-	-
Transfers out	(259,790)	-	(259,790)
	<u>(259,790)</u>	<u>-</u>	<u>(259,790)</u>
<b>Change in net position (deficit)</b>	(214,611)	(35,525)	(250,136)
<b>Total net position (deficit), July 1, 2018</b>	<u>(1,362,289)</u>	<u>(24,880)</u>	<u>(1,387,169)</u>
<b>Total net position (deficit), June 30, 2019</b>	<u>\$ (1,576,900)</u>	<u>\$ (60,405)</u>	<u>\$ (1,637,305)</u>

The notes to the financial statements are an integral part of this statement.

**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2019**

	Food Service Fund	Day Care Fund	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from lunchroom sales	\$ 733,420	\$ -	\$ 733,420
Cash received from user charges	-	493,157	493,157
Cash received from other activities	14,688	1,879	16,567
Cash payments to employees for services	(1,625,719)	(356,654)	(1,982,373)
Cash payments to suppliers for goods and services	(2,123,011)	(110,933)	(2,233,944)
Cash payments for other operating activities	(43,637)	(26,998)	(70,635)
<b>Net cash used for operating activities</b>	<u>(3,044,259)</u>	<u>451</u>	<u>(3,043,808)</u>
<b>Cash Flows from Capital Financing Activities</b>			
Acquisition of capital assets	(44,782)	-	(44,782)
<b>Net cash used for capital financing activities</b>	<u>(44,782)</u>	<u>-</u>	<u>(44,782)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Cash received from government grants	3,218,682	9,056	3,227,738
Transfer from other funds	-	-	-
Transfer to other funds	(259,790)	-	(259,790)
<b>Net cash provided by noncapital financing activities</b>	<u>2,958,892</u>	<u>9,056</u>	<u>2,967,948</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	23,659	8,030	31,689
<b>Net cash flows provided by investing activities</b>	<u>23,659</u>	<u>8,030</u>	<u>31,689</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(106,490)	17,537	(88,953)
<b>Cash and cash equivalents - beginning</b>	958,547	348,773	1,307,320
<b>Cash and cash equivalents - ending</b>	<u>\$ 852,057</u>	<u>\$ 366,310</u>	<u>\$ 1,218,367</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ (4,262,175)	\$ (191,774)	\$ (4,453,949)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Depreciation	39,972	9,455	49,427
Donated commodities & on-behalf state contributions	845,405	139,163	984,568
Changes in assets and liabilities:			
Receivables	1,118	(3,241)	(2,123)
Inventory	46,117	-	46,117
Accounts payable	(322)	(927)	(1,249)
Accrued OPEB liabilities and related deferred inflows and outflows	31,231	5,742	36,973
Accrued pension liabilities and related deferred inflows and outflows	254,395	42,033	296,428
<b>Net Cash Used for Operating Activities</b>	<u>\$ (3,044,259)</u>	<u>\$ 451</u>	<u>\$ (3,043,808)</u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities and on-behalf state contributions	<u>\$ 845,405</u>	<u>\$ 139,163</u>	<u>\$ 984,568</u>

The notes to the financial statements are an integral part of this statement.

**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION -**  
**FIDUCIARY FUNDS**  
**As of June 30, 2019**

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 31,075	\$ 739,747
Accounts receivable	45,409	10,569
<b>Total current assets</b>	<u>76,484</u>	<u>750,316</u>
<b>LIABILITIES</b>		
Accounts payable	-	11,019
Due to student groups	-	739,297
<b>Total liabilities</b>	<u>-</u>	<u>750,316</u>
<b>NET POSITION</b>		
<b>Net position held in trust</b>	<u>\$ 76,484</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CHANGES IN NET POSITION -**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2019**

	Private Purpose Trust Fund
<b>Additions</b>	
Net interest and investment gains (losses)	\$ 2,144
Private donations	30,000
<b>Total additions</b>	<b>32,144</b>
<b>Deductions</b>	
Benefits paid and other deductions	37,573
<b>Total deductions</b>	<b>37,573</b>
<b>Change in net position</b>	(5,429)
<b>Net position - beginning</b>	<b>81,913</b>
<b>Net position - ending</b>	<b>\$ 76,484</b>

The notes to the financial statements are an integral part of this statement.

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A - ENTITY**

**Reporting Entity**

The McCracken 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 McCracken County, Kentucky. The Board receives funding from local, state, and federal government sources and must comply with the commitment requirement of these funding source entities.

The accompanying financial statements present the Board's primary government and the component unit discussed below for which the Board exercises significant influence or financial accountability. Significant influence or financial accountability is based primarily on financial relationships with the Board (as distinct from legal relationships). Therefore, the financial statements presented herein do not include funds of certain legally separate groups and organizations associated with the school system, such as Booster Clubs, over which the Board does not exercise significant influence or financial accountability.

Blended Component Unit:

**McCracken County School Board Finance Corporation** – In 1981, the McCracken County, Kentucky, Board of Education resolved to authorize the establishment of the McCracken County School Board Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the McCracken County Board of Education also comprise the Corporation's Board of Directors. The financial transactions of this entity are included in the accounts and records of the McCracken County Board of Education.

There are no audited financial statements issued separately for this component unit.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the McCracken County Board of Education substantially comply with the rules prescribed by the Kentucky Department of Education for local school boards. The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units.

**Basis of Presentation**

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

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



**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Board and for each function or program of the Board's governmental activities. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the Board, 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 Board.

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

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

**Fund Accounting**

The Board maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds. A description for each class of funds, along with the associated restrictions, follows:

a. **Major Governmental Fund Types**

The *General Fund* is the primary operating fund of the Board. 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.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes financial programs where unused balances may be required to be returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

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 Board's facility plan.

The Facility Support Program of Kentucky (FSPK) *Building 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 Board's facility plan.

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Accounting (continued)**

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

1. The *Construction Fund* is a Capital Project Fund that accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

b. Non-major Governmental Fund Types

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 costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

c. Proprietary Funds

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

Other enterprise funds consist of Day Care and similar operations used to account for before and after school day care services.

d. Fiduciary Fund Types

Fiduciary Funds account for assets held by the Board in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Board under terms of a formal trust agreement.

The *Private Purpose Trust Fund* is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. The expendable trust fund of the Board is the High School Trust which accounts for donations made for future scholarships where both principal and interest may be spent.

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

**Basis of Accounting**

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

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

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

Non-exchange transactions, in which the Board 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 Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility and expenditure requirements are met are recorded as unearned revenue.

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

**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 in the county. The billings are considered due upon receipt by the taxpayer; however, the actual due 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 are levied. All taxes collected are initially recorded in the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2019, to finance General Fund operations were \$.538 per \$100 valuation for real property, \$.538 per \$100 valuation for business personal property and \$.529 per \$100 valuation for motor vehicles.

The Board also levies a gross receipts license tax in the amount of 3% of the gross receipts derived from provision within the county of various telephonic, telegraphic and satellite communication services, electric power, water, and natural, artificial and mixed gases.

Board property tax revenues are recognized when levied to the extent that they result in current receivables.

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year end is provided at June 30, 2019.

**Cash and Cash Equivalents**

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

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounts Receivable**

Accounts receivable consist of various taxes, grants and other sources of revenues that are measurable and receipt is certain.

**Inventories**

Supplies and materials are charged to expenditures when purchased with the exception of the proprietary fund which records inventory on its balance sheet. On the government wide and fund financial statements, inventory is stated at cost.

**Capital Assets**

General capital assets not specifically related to activities reported in the proprietary funds are reported in the governmental activities of the government wide statement of net position. 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 as assets 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 proprietary fund balance sheets.

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Capital assets donated are recorded at their fair market values at the date received. The Board currently follows the guidelines regarding capital assets as established by the Kentucky Department of Education. Assets with an economic life greater than one year and cost threshold of one thousand dollars are capitalized except for computers, digital cameras, and real property for which there is no threshold. The Board does not possess any infrastructure. Improvements adding value and economical life to an asset are capitalized. Normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives for both governmental and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Building and improvements	25-50 years
Land improvements	20 years
Technology equipment	5-15 years
Vehicles	5-10 years
Food service and equipment	10-12 years
Furniture and fixtures	7-20 years
Other general assets	10 years

**Prepaid Assets**

Payments made that will benefit periods beyond June 30, 2019 are recorded as prepaid items. 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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items that qualify for reporting in the category. These are deferred charge on refunding and deferred pension and other post-employment benefits (OPEB) related outflows reported in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred Outflows/Inflows of Resources (continued)**

The deferred pension and OPEB outflows results from pension and OPEB contributions subsequent to the measurement date of the pension plan and various changes resulting from actuarial pension and OPEB measurements. The pension and OPEB contribution amounts are deferred and recognized as a component of the change in pension and OPEB plan liabilities in the next measurement period. The various changes resulting from actuarial pension and OPEB liability measurements are deferred and amortized in future periods as a component of the pension and OPEB expenses.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The Board has only one type of item related to the Board's participation in the County Employee Retirement System pension and OPEB plans that qualifies for reporting in this category – deferred pension and OPEB related inflows. The various changes resulting from actuarial pension and OPEB liability measurements are deferred and amortized in future periods as a component of the pension and OPEB expenses.

**Interfund Activity**

Each fund is a fiscal and accounting entity. 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 non-operating revenues/expenses in proprietary funds.

Interfund receivables and payables for the Board arise generally when payments are made from a fund that does not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. For the year ended June 30, 2019, interfund receivables/payables consist of reimbursements of \$798,290 due to the general fund for special revenue project expenditures. All interfund receivables and payables have been eliminated on the government-wide statement of net position.

**Accumulated Unpaid Sick Leave Benefits**

Upon retirement from the school system, an employee will receive from the Board an amount equal to 30% of the value of accumulated vested 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 Board's past experience of making termination payments.

The estimated entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the accrued sick leave payable is the amount earned by retired employees unpaid as of year-end expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund.

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

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

**Net Position**

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

**Fund Balance**

Fund balances are reported pursuant to GASB Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", which defines how fund balances of the governmental funds, are presented in the financial statements. Fund balances are classified as follows:

Nonspendable fund balances are amounts that cannot be spent either because they are not in spendable form (such as inventory) or because they are legally or contractually required to be maintained intact.

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 or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes (such as future construction projects) 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 fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purpose (such as encumbrances), but are neither restricted nor committed. Assigned fund balances also include 1) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted or committed and 2) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balances are the residual classification for the general fund. This classification represents fund balances that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenues and Expenses**

Operating revenues are those revenues generated directly from the primary activity of the proprietary funds. For the Board, operating revenues, within the School Food Service Fund, are primarily charges for student lunches and non-operating revenues are primarily reimbursements from federal and state agencies for meals provided by the various schools while the other enterprise fund's operating revenues are primarily charges for daycare services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Use of 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, liabilities, designated 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.

**Budgetary Process**

Budgetary Basis of Accounting: The budgetary process accounts for transactions on the same basis as the fund financial statements.

The budgetary process begins in October for the next fiscal year. As of May 30, a tentative working budget is submitted to each Board member for discussion and amendment. The Board must adopt a final budget and submit to the Kentucky Department of Education by September 30 of each fiscal year. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end.

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.

**Pensions**

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

**Other Post-employment Benefits (OPEB)**

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

**Subsequent Events**

Management has evaluated subsequent events through October 22, 2019 the date which the financial statements were available to be issued.

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE C – DEPOSITS AND INVESTMENTS**

**Custodial credit risk** for deposits and investments is the risk that in the event of a failure of the counterparty, the Board’s deposits and investments may not be returned or the Board will not be able to recover collateral securities in the possession of an outside party. The Board’s investment policy requires all investments be made in accordance with applicable legal requirements with consideration of investment safety.

Deposits are 100% secured with collateral valued at market or par, whichever is lower. However, some agency fund accounts are maintained at other financial institutions due to various Board locations in the County, and at times, demand deposits exceed depository insurance at these locations. The Board has incurred no losses in the past as a result of bank balances in excess of FDIC insurance coverage.

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the Board’s investing activities are managed under the custody of the Board’s Finance Director. Investing is performed in accordance with investment policies adopted by the Board of Directors.

At June 30, 2019, the Board’s deposits were in commercial bank demand deposit accounts. At year end, the carrying amount and the bank balance of the Board’s cash and cash equivalents was \$57,126,868 and \$61,014,277, respectively. As of June 30, 2019, the Board’s bank balance was as follows:

<i>Governmental &amp; Proprietary Funds</i>	
Balance covered by FDIC insurance	\$ 250,000
Collateral held by pledging financial institutions’ trust department not in the Board’s name	60,003,323
<i>Fiduciary Funds</i>	
Collateral held by pledging financial institutions’ trust department not in the Board’s name	760,954
Uncollateralized	-
Total	<u>\$ 61,014,277</u>

**NOTE D – ACCOUNTS RECEIVABLE**

The summary of accounts receivable as of June 30, 2019 consist of the following:

<u>Description</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Day Care</u>	<u>Total</u>
Taxes:					
Property – current	\$ 214,138	\$ -	\$ -	\$ -	\$ 214,138
Property– delinquent	141,319	-	-	-	141,319
Utilities	355,543	-	-	-	355,543
State grants	142,668	411	-	-	143,079
Federal grants	10,735	797,879	264,618	-	1,073,232
Other	<u>9,098</u>	<u>-</u>	<u>1,165</u>	<u>11,209</u>	<u>21,472</u>
Total	<u>\$ 873,501</u>	<u>\$ 798,290</u>	<u>\$ 265,783</u>	<u>\$ 11,209</u>	<u>\$1,948,783</u>



**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE E – CAPITAL ASSETS**

A summary of the capital asset activity for the fiscal year ended at June 30, 2019, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 2,631,295	\$ -	\$ -	\$ 2,631,295
Construction in Progress	17,588	2,824,274	(161,900)	2,679,962
Total capital assets, not being depreciated:	<u>2,648,883</u>	<u>2,824,274</u>	<u>(161,900)</u>	<u>5,311,257</u>
<u>Capital assets, being depreciated:</u>				
Land improvements	8,793,050	-	-	8,793,050
Buildings and improvements	124,015,359	17,712	-	124,033,071
Technology equipment	7,229,867	180,036	(1,155,909)	6,253,994
Vehicles	9,326,641	763,930	(62,002)	10,028,569
General Equipment	5,705,608	362,007	-	6,067,615
Totals at historical cost	<u>155,070,525</u>	<u>1,323,685</u>	<u>(1,217,911)</u>	<u>155,176,299</u>
Less: Accumulated depreciation				
Land improvements	3,695,863	354,817	-	4,050,680
Buildings and improvements	36,217,097	2,578,942	-	38,796,039
Technology equipment	6,427,596	329,041	(1,147,574)	5,609,063
Vehicles	6,087,629	619,713	(62,002)	6,645,340
General Equipment	3,165,208	471,178	-	3,636,386
Total accumulated depreciation	<u>55,593,393</u>	<u>4,353,691</u>	<u>(1,209,576)</u>	<u>58,737,508</u>
Total capital assets, being depreciated, net:	<u>99,477,132</u>	<u>(3,030,006)</u>	<u>\$ (8,335)</u>	<u>96,438,791</u>
Governmental Activities Capital Assets – Net	<u>\$ 102,126,015</u>	<u>\$ (205,732)</u>	<u>\$ (170,235)</u>	<u>\$ 101,750,048</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
<u>Business-Type Activities</u>	<u>July 1, 2018</u>			<u>June 30, 2019</u>
<u>Food Service:</u>				
Food service and equipment	\$ 1,472,945	\$ 44,782	\$ -	\$ 1,517,727
Technology equipment	63,379	-	-	63,379
<u>Daycare Service:</u>				
Land improvements	29,080	-	-	29,080
Technology equipment	49,003	-	-	49,003
General equipment	28,664	-	-	28,664
Totals at historical cost	<u>1,643,071</u>	<u>44,782</u>	<u>-</u>	<u>1,687,853</u>
Less: Accumulated depreciation				
Food Service:				
Food service and equipment	1,288,413	39,175	-	1,327,588
Technology equipment	61,196	797	-	61,993
Daycare Service:				
Land improvements	19,023	1,454	-	20,477
Technology equipment	28,338	6,463	-	34,801
General equipment	17,559	1,538	-	19,097
Total accumulated depreciation	<u>1,414,529</u>	<u>49,427</u>	<u>-</u>	<u>1,463,956</u>
Business-Type Activities Capital Assets – Net	<u>\$ 228,542</u>	<u>\$ (4,645)</u>	<u>\$ -</u>	<u>\$ 223,897</u>

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE E – CAPITAL ASSETS (Continued)**

Depreciation expense, by function, was as follows:

Instructional	\$ 2,691,982
Student	348,056
Instructional staff	26,488
District administration	32,047
School administration	4,858
Business and central office	13,922
Plant operation and maintenance	685,111
Student transportation	551,227
	<u>\$ 4,353,691</u>
Food Service	\$ 39,972
Daycare Service	9,455
	<u>\$ 49,427</u>

**NOTE F – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

A summary of change in deferred outflows/inflows of resources is as follows:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2019</u>
Governmental Activities				
Deferred outflows of resources				
<i>Deferred charge on refunding</i>	\$ 1,094,124	\$ -	\$ (167,697)	\$ 926,427
Pensions				
<i>Deferred pension contributions</i>	\$ 1,089,445	\$ 1,260,937	\$ (1,089,445)	\$ 1,260,937
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	-	147,206	-	147,206
<i>Differences between expected and actual experience</i>	21,230	828,829	(260,776)	589,283
<i>Change of assumptions</i>	3,158,442	-	(1,392,807)	1,765,635
<i>Difference between projected and actuarial earnings</i>	211,711	-	(211,711)	-
<i>Pension related deferred outflows</i>	<u>\$ 4,480,828</u>	<u>\$ 2,236,972</u>	<u>\$ (2,954,739)</u>	<u>\$ 3,763,061</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 38,521	\$ -	\$ (24,345)	\$ 14,176
<i>Differences between expected and actual experience</i>	434,488	-	(170,031)	264,457
<i>Difference between projected and actuarial earnings</i>	-	484,834	(268,206)	216,628
<i>Pension related deferred inflows</i>	<u>\$ 473,009</u>	<u>\$ 484,834</u>	<u>\$ (462,582)</u>	<u>\$ 495,261</u>
Other Post-employment Benefits (OPEB)				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 1,471,863	\$ 1,515,564	\$ (1,471,863)	\$ 1,515,564
<i>Change of assumptions</i>	1,279,168	234,000	(227,335)	1,285,833
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	-	39,007	-	39,007
<i>OPEB related deferred outflows</i>	<u>\$ 2,751,031</u>	<u>\$ 1,788,571</u>	<u>\$ (1,699,198)</u>	<u>\$ 2,840,404</u>

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE F – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)**

A summary of change in deferred outflows/inflows of resources is as follows:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2019</u>
Governmental Activities (continued)				
Other Post-employment Benefits (OPEB)				
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 13,640	\$ 69,000	\$ (2,583)	\$ 80,057
<i>Differences between expected and actual experience</i>	16,328	1,586,606	(116,173)	1,486,761
<i>Change of assumptions</i>	-	14,464	(2,295)	12,169
<i>Difference between projected and actuarial earnings</i>	<u>508,824</u>	<u>548,253</u>	<u>(335,306)</u>	<u>721,771</u>
<i>OPEB related deferred inflows</i>	<u>\$ 538,792</u>	<u>\$ 2,218,323</u>	<u>\$ (456,357)</u>	<u>\$ 2,300,758</u>
Business-Type Activities				
Deferred outflows of resources				
Pensions				
<i>Deferred pension contributions</i>	\$ 183,075	\$ 215,188	\$ (183,075)	\$ 215,188
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	-	25,978	-	25,978
<i>Differences between expected and actual experience</i>	3,747	146,264	(46,020)	103,991
<i>Change of assumptions</i>	557,372	-	(245,790)	311,582
<i>Difference between projected and actuarial earnings</i>	<u>37,360</u>	<u>-</u>	<u>(37,360)</u>	<u>-</u>
<i>Pension related deferred outflows</i>	<u>\$ 781,554</u>	<u>\$ 387,430</u>	<u>\$ (512,245)</u>	<u>\$ 656,739</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 6,797	\$ -	\$ (4,295)	\$ 2,502
<i>Difference between projected and actuarial earnings</i>	76,674	-	(30,005)	46,669
<i>Difference between projected and actuarial earnings</i>	<u>-</u>	<u>85,559</u>	<u>(47,331)</u>	<u>38,228</u>
<i>Pension related deferred inflows</i>	<u>\$ 83,471</u>	<u>\$ 85,559</u>	<u>\$ (81,631)</u>	<u>\$ 87,399</u>
Other Post-employment Benefits (OPEB)				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 59,424	\$ 69,792	\$ (59,424)	\$ 69,792
<i>Change of assumptions</i>	225,736	-	(40,118)	185,618
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	<u>-</u>	<u>6,884</u>	<u>-</u>	<u>6,884</u>
<i>OPEB related deferred outflows</i>	<u>\$ 285,160</u>	<u>\$ 76,676</u>	<u>\$ (99,542)</u>	<u>\$ 262,294</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 2,407	\$ -	\$ (456)	\$ 1,951
<i>Differences between expected and actual experience</i>	2,881	125,931	(20,502)	108,310
<i>Change of assumptions</i>	-	2,552	(405)	2,147
<i>Difference between projected and actuarial earnings</i>	<u>49,028</u>	<u>33,398</u>	<u>(18,407)</u>	<u>64,019</u>
<i>OPEB related deferred inflows</i>	<u>\$ 54,316</u>	<u>\$ 161,881</u>	<u>\$ (39,770)</u>	<u>\$ 176,427</u>

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE G – BOND OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the Board’s future obligations to make payments relating to the bonds issued by the McCracken County School Board Finance Corporation.

**Bonds**

The Board, through the General Fund, the SEEK Capital Outlay Fund, and the Facility Support Program Levy Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the McCracken County School Board Finance corporation to construct school facilities.

The bond issues provide for a statutory mortgage lien on the school buildings and appurtenances in favor of the holders of the bonds and coupons.

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

<u>Issue Date</u>	<u>Original Amount/ Proceeds</u>	<u>Outstanding Balance</u>	<u>Rates</u>
September, 2010A	\$ 12,780,000	\$ 7,370,000	0.250% - 2.500%
September, 2010B	720,000	260,000	0.700% - 2.500%
June, 2014	52,260,000	43,440,000	2.000% - 4.250%
February, 2019A	2,520,000	2,520,000	3.750% - 5.000%
June, 2019B	<u>34,785,000</u>	<u>34,785,000</u>	3.000% - 5.000%
	<u>\$ 103,065,000</u>	<u>\$ 88,375,000</u>	

**Call Provision**

All bonds may be called prior to maturity at dates and subject to redemption premiums specified in each bond issue.

**Schedule of Maturities of Obligations**

During the fiscal years ended June 30, 2011, 2014 and 2019 the Board entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The table below sets forth the amount to be paid by the Board and Commission for each year until maturity of all related bond issues. The liability for the total bond amount remains with the Board and, as such, the total principal outstanding has been recorded in the financial statements. For the year June 30, 2019, the Commission provided principal and interest payments of \$298,982 and \$116,959, respectively.

Assuming no issues are called prior to schedule maturity, the minimum obligation of the Board including amounts to be paid by the Commission, at June 30, 2019, for debt service (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>McCracken County Board of Education</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019-2020	\$ 3,416,015	\$ 2,574,290	\$ 463,985	\$ 273,406	\$ 6,727,696
2020-2021	3,503,155	2,555,903	466,845	270,547	6,796,450
2021-2022	3,606,435	2,456,191	483,565	253,828	6,800,019
2022-2023	3,707,774	2,353,980	477,226	236,701	6,775,681
2023-2024	3,853,882	2,205,868	426,118	217,576	6,703,444
2024-2029	21,414,729	8,894,702	2,405,271	813,198	33,527,900
2029-2034	23,442,162	4,834,962	1,802,838	372,038	30,452,000
2034-2039	<u>17,432,843</u>	<u>1,227,540</u>	<u>1,472,157</u>	<u>135,104</u>	<u>20,267,644</u>
<b>TOTALS</b>	<u>\$ 80,376,995</u>	<u>\$ 27,103,436</u>	<u>\$ 7,998,005</u>	<u>\$2,572,398</u>	<u>\$ 118,050,834</u>

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE G – BOND OBLIGATIONS (Continued)**

**Prior year defeasance of debt**

In prior years, the Board has issued revenue refunding bonds by placing the proceeds of the new issue in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board’s financial statements. As of June 30, 2019, none of these defeased bonds remain outstanding.

**NOTE H – CAPITAL LEASE PAYABLE**

The Board leases transportation (primarily buses) and technology equipment with a historical cost and accumulated amortization of \$6,435,149 and \$3,448,069, respectively, under capital lease agreements.

Future minimum lease payments at June 30, 2019, are as follows:

<u>Fiscal Year Ending June 30</u>	
2020	\$ 602,212
2021	535,230
2022	466,586
2023	426,200
2024	377,310
2025-2029	<u>979,741</u>
Total minimum lease payments	3,387,279
Less: deferred interest	<u>(345,461)</u>
Present value minimum lease payments	<u>\$ 3,041,818</u>

**NOTE I – CHANGES IN LONG-TERM LIABILITIES**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
Revenue bonds	\$ 54,905,000	\$ 37,305,000	\$ (3,835,000)	\$ 88,375,000	\$ 3,880,000
Deferred amounts:					
Premiums	1,366,322	354,319	(164,264)	1,556,377	185,438
Discounts	<u>(45,195)</u>	<u>-</u>	<u>15,838</u>	<u>(29,357)</u>	<u>(12,612)</u>
Total bonds payable	56,226,127	37,659,319	(3,983,426)	89,902,020	4,052,826
Unfunded CERS OPEB	5,878,701	-	(612,026)	5,266,675	-
Unfunded TRS OPEB	17,934,000	224,239	(1,118,239)	17,040,000	-
Unfunded pension	17,116,414	2,039,661	(1,089,445)	18,066,630	-
KSBIT assessment	42,012	-	(14,004)	28,008	14,004
Capital leases	2,932,826	625,079	(516,087)	3,041,818	521,727
Accumulated sick leave	<u>971,582</u>	<u>303,725</u>	<u>(248,450)</u>	<u>1,026,857</u>	<u>260,565</u>
Governmental activity Long-term liabilities	<u>\$101,101,662</u>	<u>\$ 40,852,023</u>	<u>\$ (7,581,677)</u>	<u>\$134,372,008</u>	<u>\$ 4,849,122</u>
<b>Business-type activities:</b>					
Unfunded OPEB	\$ 1,037,417	-	(108,004)	929,413	-
Unfunded pension	<u>3,020,543</u>	<u>350,760</u>	<u>(183,075)</u>	<u>3,188,228</u>	<u>-</u>
Long-term liabilities	<u>\$ 4,057,960</u>	<u>\$ 350,760</u>	<u>\$ (291,079)</u>	<u>\$ 4,117,641</u>	<u>\$ -</u>

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE J – RETIREMENT PLANS**

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

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

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

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Prior to September 1, 2008 27 years of service or 65 years old Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2008 to December 31, 2013 Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87 Minimum 10 years of service and 60 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	After December 31, 2013 Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87 Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for non-service related disability benefits.

*Contributions* - Required contributions by the employee are based on the tier:

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

The District’s required contribution rate was 21.48% for the year ended June 30, 2019.

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE J – RETIREMENT PLANS (continued)**

**General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")**

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

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

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

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

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

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

*Contributions* - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 7.68 % of their salaries.

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

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE J – RETIREMENT PLANS (continued)**

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District’s proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District.

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

District’s proportionate share of the CERS net pension liability	\$ 21,254,859
Commonwealth’s proportionate share of the KTRS net pension liability associated with the District	<u>124,606,924</u>
Total net pension liability associated with the District	<u>\$ 145,861,783</u>

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

The District’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District’s proportion was 0.348995% percent.

For the year ended June 30, 2019, the District recognized pension expense of \$3,442,758 related to CERS and \$15,054,300 related to KTRS. The District also recognized revenue of \$15,054,300 for KTRS support provided by the Commonwealth’s on-behalf payments. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 693,274	\$ 311,125
Changes in assumptions	2,077,217	-
Net difference between projected and actual earnings		
On pension plan investments	-	254,857
Changes in proportion and differences between District contributions and proportionate share of contributions	173,184	16,678
District contributions subsequent to the Measurement date	<u>1,476,125</u>	<u>-</u>
Total	<u>\$ 4,419,800</u>	<u>\$ 582,660</u>

\$1,476,125 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	
2020	\$ 1,768,946
2021	\$ 920,508
2022	\$ (214,361)
2023	\$ (114,078)



**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE J – RETIREMENT PLANS (continued)**

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

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

For CERS, Mortality rates for the period after service retirement are according to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 for all active and retired employees and beneficiaries. The RP-2000 Combined Mortality Table projected with Scale BB to 2013 set back four years for males is used for the period after disability retirement. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

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

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Combined Equity	35.0%	4.5%-7.25%
Combined Fixed Income	28.0%	3.0%-8.5%
Real Estate	5.0%	9.0%
Private Equity	10.0%	6.5%
Real Return (Diversified Inflation Strategies)	10.0%	7.0%
Absolute Return (Diversified Hedge Funds)	10.0%	5.0%
Cash	2.0%	1.5%
Total	100.0%	

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE J – RETIREMENT PLANS (continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.0%	4.2%
Non U.S. Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories	8.0%	3.3%
Real Estate	6.0%	3.8%
Alternatives	7.0%	6.3%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

*Discount rate* - For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees. The Single Equivalent Interest Rate (SEIR) of 7.5% was calculated using the Municipal Bond Index Rate (3.86%) as of the measurement date.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b>CERS</b>	5.25%	6.25%	7.25%
District’s proportionate share of net pension liability	\$ 26,757,666	\$ 21,254,858	\$ 16,644,470
<b>KTRS</b>	6.50%	7.50%	8.50%
District’s proportionate share of net pension liability	\$ -	\$ -	\$ -

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

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE J – RETIREMENT PLANS (continued)**

The McCracken County Board of Education makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the Plans up to the Internal Revenue Code maximum allowable amount. The McCracken County Board of Education does not contribute to these Plans.

**NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

*Plan description* – Teaching-certified employees of the District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. KTRS 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). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. KTRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

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

**KTRS Medical Insurance Plan**

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

*Benefits provided* – To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. KTRS 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 KTRS 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 KTRS Medicare Eligible Health Plan.

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

**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 \$17,040,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District’s proportion was 0.491109 percent, which was a decrease of .0118 from its proportion measured as of June 30, 2017.

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

District’s proportionate share of the KTRS medical insurance liability	\$ 17,040,000
Commonwealth’s proportionate share of the KTRS medical insurance liability associated with the District	<u>14,685,000</u>
Total KTRS medical insurance liability associated with the District	<u>\$ 31,725,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,843,000 and revenue of \$1,026,000 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 873,000
Changes in assumptions	234,000	-
Net difference between projected and actual earnings		
On pension plan investments	-	359,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	69,000
District contributions subsequent to the Measurement date	<u>1,106,608</u>	<u>-</u>
Total	<u>\$ 1,340,608</u>	<u>\$ 1,301,000</u>

\$1,106,608 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	
2020	\$ (209,000)
2021	\$ (209,000)
2022	\$ (209,000)
2023	\$ (178,000)
2024	\$ (184,000)
Thereafter	\$ (78,000)

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Healthcare cost trend rates	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2020
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 inflation

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

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

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

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

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b>KTRS</b>	7.00%	8.00%	9.00%
District proportionate share of net OPEB liability	\$ 19,982,000	\$ 17,040,000	\$ 14,589,000

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>KTRS</b>	7.00%	8.00%	9.00%
District’s proportionate share of net OPEB liability	\$ 14,130,000	\$ 17,040,000	\$ 20,631,000

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

**CERS Medical Insurance Plan**

*Plan description* – the District contributes to the Kentucky Retirement Systems Insurance fund (Insurance Fund), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Kentucky Retirement Systems (KRS). The Insurance Fund was established to provide hospital and medical insurance for members for receiving benefits from the Kentucky Employees Retirement Systems (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS).

*Benefits provided* – the Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries. The authority to establish and amend benefit provisions rests with the Kentucky General Assembly. KRS issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Contributions* – per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The District was required to contribute at actuarially determined rates of 5.26% of covered payroll for the fiscal years ended June 30, 2019.

**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 for its proportionate share of the net OPEB liability for the CERS Insurance Trust. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District’s proportion was 0.3448981 percent.

The amount recognized by the District as its proportionate share of the OPEB liability that was associated with the District was as follows:

District’s proportionate share of the CERS medical insurance liability	\$	6,196,088
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**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

For the year ended June 30, 2019, the District recognized OPEB expense of \$796,098. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 722,072
Changes in assumptions	1,237,451	14,316
Net difference between projected and actual earnings		
On pension plan investments	-	426,789
Changes in proportion and differences between District contributions and proportionate share of contributions	45,891	13,008
District contributions subsequent to the Measurement date	<u>478,748</u>	<u>-</u>
Total	<u>\$ 1,762,090</u>	<u>\$ 1,176,185</u>

\$478,748 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2020	\$ 27,672
2021	\$ 27,672
2022	\$ 27,672
2023	\$ 110,562
2024	\$ (48,231)
Thereafter	\$ (38,190)

*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	6.25%, net of OPEB plan investment expense, including inflation	
Projected salary increases	3.05%	
Inflation rate	2.30%	
Healthcare cost trend rates		
Under 65	7.00% for FY 2018 decreasing to an ultimate rate of 4.05% by FY 2030	
Ages 65 and Older	5.00% for FY 2018 decreasing to an ultimate rate of 4.05% by FY 2028	
Municipal Bond Index Rate	3.62%	
Discount Rate	5.85%	
Single Equivalent Interest Rate	5.85%, net of OPEB plan investment expense, including inflation	

Mortality rates 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 RP-2000 Combined Mortality Table projected with scale BB to 2013 (set-back for one year for females). The RP-2000 Disabled Mortality Table projected with scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The long-term expected rate of return 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.

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	35.0%	4.5%-7.3%
Combined Fixed Income	28.0%	3.0%-6.0%
Private Equity	10.0%	6.5%
Real Estate	5.0%	9.0%
Absolute Return	10.0%	5.0%
Real Return	10.0%	7.0%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84%, as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	4.85%	5.85%	6.85%
District and State’s proportionate share of net OPEB liability	\$ 8,047,725	\$ 6,196,088	\$ 4,618,832

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	4.85%	5.85%	6.85%
District’s proportionate share of net OPEB liability	\$ 4,613,049	\$ 6,196,088	\$ 8,062,036



**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Life Insurance Plan**

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

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

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

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

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

District’s proportionate share of the KTRS life insurance liability	\$	-
Commonwealth’s proportionate share of the KTRS life insurance liability associated with the District		<u>252,000</u>
Total KTRS life insurance liability associated with the District	\$	<u>252,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$8,748 and revenue of \$8,748 for support provided by the State.

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

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	63.0%	4.2%-5.2%
Fixed Income	18.0%	1.2%
Additional Categories	6.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

*\*Modeled as 50% High Yield and 50% bank Loans.*

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b>KTRS</b>	6.50%	7.50%	8.50%
District and State’s proportionate share of net OPEB liability	\$ 384,000	\$ 252,000	\$ 144,000

*OPEB plan fiduciary net position* - Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE L – DEFERRED COMPENSATION**

The McCracken County Board of Education offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The McCracken County Board of Education therefore does not show these assets and liabilities on its financial statements.

**NOTE M – CONTINGENCIES**

The Board receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For governmental 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 Board for its disbursements. Management does not expect the amount of such future refunds and un-reimbursed disbursements, if any, to be significant. Continuation of the Board's grant programs is predicated upon the grantor's satisfaction that the funds provided are spent as intended and the grantor's intent to continue their programs.

In addition in the fiscal year ended June 30, 2019, the Board received \$3,219,036 of revenue in lieu of taxes through the State of Kentucky primarily collected from two entities within the county. Due to recent economic changes, collection from this source of revenue may be significantly effected in future periods. Loss of this revenue would significantly impact the Board.

**NOTE N – INTEREST EXPENSE**

For the year ended June 30, 2019, cash expenditures for interest totaled \$1,735,640. Expenditures consist of interest expenditures on capital leases of \$73,934 and interest expenditures on bond issues of \$1,661,706.

For the year ended June 30, 2019, amortization expense of deferred charge on refunding, bond issue discounts and call premiums reflected as components of interest expense in the statement of net position were \$167,697, \$15,838 and (\$164,265), respectively.

**NOTE O – RISK MANAGEMENT**

The McCracken County Board of Education is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, fiduciary responsibility, etc. In addition, the Board is exposed to various risks of loss related to torts; errors and omissions; injuries to employees; and natural disasters. Each of these risk areas is currently covered through the purchase of commercial insurance. In the early 2000's the Board utilized Kentucky School Boards Insurance Trust (KSBIT), a public entity risk pool to cover such risks. A provision of that coverage allowed KSBIT subsequently to seek reimbursement from current and former insured's in the event KSBIT reserves for claims were determined to be inadequate. During the fiscal year ending June 30, 2014, the Board received notification from KSBIT of underfunded risk pools and KSBIT's proposed plan to the Kentucky Department of Insurance for assessment of current and former member participants. Under the proposed plan, the Board portion of the assessment was estimated at \$112,032. As of June 30, 2019, the outstanding liability reported in the government-wide statements is \$42,012.

**NOTE P - LITIGATION**

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

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE Q – ON-BEHALF PAYMENTS**

Payments are made by the Kentucky Department of Education for the benefit of the Board’s students and employees. On-behalf payments consist of employee fringe benefits for health insurance and flex spending accounts of \$7,619,372, KTRS retirement contributions of \$9,028,718, technology support of \$115,605 and donated commodities of \$245,410. These non-monetary amounts are reflected within the general fund, special fund, and the business-type activities in the statements as on-behalf payment state revenues and instructional/support expenses. In accordance with Kentucky Department of Education guidelines, these revenues and expenditures are not budgeted by the Board.

For the government-wide financial statements, the District reflects additional on-behalf contributions of \$6,025,582 related to the KTRS plan actuarial pension expense and \$272,089 related to the KTRS plan actuarial OPEB expense.

Debt service payments are made by the Kentucky School Facility Construction Commission for school construction related bond issues for part of the Board’s bond principal and interest debt service. Non-monetary principal and interest payments of \$415,941 are reflected within the debt service fund as on-behalf payment state revenues and debt service expenses. These revenues and expenditures are not budgeted by the Board.

**NOTE R – TRANSFER OF FUNDS**

The following inter-fund transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	KETS & Other Projects	\$ 132,739
Operating	General	Debt Service	Debt Service	\$ 273,713
Operating	Food Service	General	Indirect cost allocation	\$ 259,790
Operating	Capital Outlay	Construction	New construction	\$ 501,800
Operating	Building	Construction	New construction	\$ 2,018,504
Operating	Building	Debt Service	Debt service	\$ 4,924,011
Operating	Building	Capital Outlay	Reimbursement	\$ 500,000

**NOTE P – CONSTRUCTION COMMITMENTS**

The District began two major construction project for the year ended June 30, 2019. These construction commitments were as follows:

	<u>Cumulative Costs to Date</u>	<u>Estimated Total Cost</u>
Lone Oak Middle School	\$ 1,759,182	\$ 38,701,304
New Bus Garage Facility	<u>711,751</u>	<u>2,620,000</u>
	<u>\$ 2,470,933</u>	<u>\$ 41,321,304</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET TO ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources				
Property taxes	\$ 14,712,010	\$ 14,942,010	\$ 15,054,868	\$ 112,858
Motor vehicle taxes	1,982,588	1,982,588	2,012,264	29,676
Utility taxes	2,686,897	2,586,897	2,824,597	237,700
Other taxes	360,378	360,378	492,809	132,431
Tuition and fees	100,235	68,235	73,819	5,584
Earnings on investments	105,398	362,775	397,320	34,545
Other local revenues	-	-	-	-
State sources				
SEEK	21,475,346	21,300,368	21,300,368	-
On-behalf payments	-	-	16,045,944	16,045,944
Other	140,000	136,000	139,085	3,085
Federal - indirect	150,000	180,000	194,579	14,579
Revenue in lieu of taxes	1,808,800	3,216,910	3,219,036	2,126
Other revenues	207,220	186,220	251,211	64,991
<b>Total revenues</b>	<u>43,728,872</u>	<u>45,322,381</u>	<u>62,005,900</u>	<u>16,683,519</u>
<b>Expenditures</b>				
Instruction	26,540,016	26,971,310	38,272,616	(11,301,306)
Support services				
Student	1,802,997	1,801,197	2,666,790	(865,593)
Instruction staff	1,342,866	1,358,975	1,702,054	(343,079)
District administration	8,001,471	8,816,243	1,746,652	7,069,591
School administration	2,680,353	2,745,112	3,873,118	(1,128,006)
Business and central office	2,189,772	2,194,772	1,962,269	232,503
Plant operation and maintenance	6,175,587	6,342,183	7,404,982	(1,062,799)
Student transportation	3,613,512	4,301,569	4,361,996	(60,427)
Contingency	4,479,485	4,479,485	-	4,479,485
Debt service	590,021	590,021	590,021	-
<b>Total expenditures</b>	<u>57,416,080</u>	<u>59,600,867</u>	<u>62,580,498</u>	<u>(2,979,631)</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(13,687,208)</u>	<u>(14,278,486)</u>	<u>(574,598)</u>	<u>13,703,888</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from debt issues	-	625,079	625,079	-
Operating transfers in	225,372	525,372	259,790	(265,582)
Operating transfers out	(373,713)	(706,452)	(406,452)	300,000
<b>Total other financing sources (uses)</b>	<u>(148,341)</u>	<u>443,999</u>	<u>478,417</u>	<u>34,418</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(13,835,549)</u>	<u>(13,834,487)</u>	<u>(96,181)</u>	<u>13,738,306</u>
<b>Net change in fund balances</b>	(13,835,549)	(13,834,487)	(96,181)	13,738,306
<b>Fund balance, July 1, 2018</b>	14,331,678	14,331,678	14,331,678	-
<b>Fund balance, June 30, 2019</b>	<u>\$ 496,129</u>	<u>\$ 497,191</u>	<u>\$ 14,235,497</u>	<u>\$ 13,738,306</u>

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET TO ACTUAL**  
**SPECIAL REVENUE FUND**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
From local sources				
Earnings on investments	\$ 200	\$ 3,000	\$ 6,046	\$ 3,046
Other local revenues	51,826	102,062	81,969	(20,093)
State sources				
SEEK	-	-	-	-
On-behalf payments	-	-	-	-
Other	2,294,571	2,515,891	2,598,455	82,564
Federal - indirect	4,534,682	4,601,713	4,408,748	(192,965)
Revenue in lieu of taxes	-	-	-	-
Other revenues	-	-	-	-
<b>Total revenues</b>	<u>6,881,279</u>	<u>7,222,666</u>	<u>7,095,218</u>	<u>(127,448)</u>
<b>Expenditures</b>				
Instruction	6,323,128	6,652,711	6,573,352	79,359
Support services				
Student	18,157	55,737	38,286	17,451
Instruction staff	111,911	6,137	3,871	2,266
Business and central office	-	-	934	(934)
Plant operation and maintenance	71,531	80,585	33,356	47,229
Student transportation	-	100,441	121,450	(21,009)
Facilities acquisition and construction	850	850	-	850
Community service activities	455,702	462,944	456,708	6,236
<b>Total expenditures</b>	<u>6,981,279</u>	<u>7,359,405</u>	<u>7,227,957</u>	<u>131,448</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(100,000)</u>	<u>(136,739)</u>	<u>(132,739)</u>	<u>4,000</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	100,000	132,739	132,739	-
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>100,000</u>	<u>132,739</u>	<u>132,739</u>	<u>-</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>-</u>	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
<b>Fund balance, July 1, 2018</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2019</b>	<u>\$ -</u>	<u>\$ (4,000)</u>	<u>\$ -</u>	<u>\$ 4,000</u>

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	District's Proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the District	Total	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.0000%	\$ -	\$ 124,606,924	\$ 124,606,924	\$ 30,600,934	0.0000%	59.2776%
2018	0.0000%	\$ -	\$ 257,357,367	\$ 257,357,367	\$ 30,053,078	0.0000%	39.8317%
2017	0.0000%	\$ -	\$ 280,225,950	\$ 280,225,950	\$ 29,247,837	0.0000%	35.2198%
2016	0.0000%	\$ -	\$ 217,292,028	\$ 217,292,028	\$ 28,490,275	0.0000%	42.4918%
2015	0.0000%	\$ -	\$ 179,915,337	\$ 179,915,337	\$ 27,437,530	0.0000%	45.5907%

\* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.



**MCCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2019	\$ 9,028,718	\$ 9,028,718	\$ -	\$ 30,740,956	29.3703%
2018	\$ 9,143,753	\$ 9,143,753	\$ -	\$ 30,600,934	29.8806%
2017	\$ 4,610,872	\$ 4,610,872	\$ -	\$ 30,053,078	15.3424%
2016	\$ 4,493,895	\$ 4,493,895	\$ -	\$ 29,247,837	15.3649%
2015	\$ 4,239,759	\$ 4,239,759	\$ -	\$ 28,490,275	14.8814%

\* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2019**

***Changes of Benefit Terms:***

None

***Changes of assumptions:***

Municipal Bond Index Rate used in determining the discount rate changed from 3.56% to 3.89%.

The discount rate changed from 4.49% to 7.50% from the prior measurement date.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE MEDICAL INSURANCE LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	District's Proportion of the medical insurance liability	District's proportionate share of the medical ins. liability (asset)	State's proportionate share of the medical ins. liability (asset) associated with the District	Total	District's covered employee payroll	District's share of the medical ins. liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total medical insurance liability
2019	0.4911%	\$ 17,040,000	\$ 14,685,000	\$ 31,725,000	\$ 30,600,934	55.6846%	25.5425%
2018	0.5029%	\$ 17,934,000	\$ 14,649,000	\$ 32,583,000	\$ 30,053,078	59.6744%	21.1838%

\* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**MCCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - MEDICAL INSURANCE FUND  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2019	\$ 1,106,608	\$ 1,106,608	\$ -	\$ 30,740,956	3.5998%
2018	\$ 1,118,239	\$ 1,118,239	\$ -	\$ 30,600,934	3.6543%

\* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2019**

***Changes of Benefit Terms:***

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored

***Changes of assumptions:***

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

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	23 years, Open
Asset valuation method	Five-year smoothed value
Payroll growth rate	3.5% - 7.20%, including wage inflation
Investment Return	8.00%, net of OPEB plan investment expense, including inflation
Inflation	3.00%
Real Wage Growth	0.50%
Single discount rate	8.00%, net of OPEB plan investment expense, including price inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2025 with Scale BB (set forward two years for males and one year for females)
Healthcare trend rates (Pre-65)	7.75% for FYE 2018 and decreasing to an ultimate trend rate of 5.00% by FYE 2024
Healthcare trend rates (Post-65)	5.75% for FYE 2018 and decreasing to an ultimate trend rate of 5.00% by FYE 2024
Medicare Part B Premiums	0.00% for FYE 2018 with an ultimate trend rate of 5.00% by 2030

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE LIFE INSURANCE LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	District's Proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the District	Total	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.0000%	\$ -	\$ 252,000	\$ 252,000	\$ 30,600,934	0.0000%	74.9707%
2018	0.0000%	\$ -	\$ 196,000	\$ 196,000	\$ 30,053,078	0.0000%	79.9892%

\* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**MCCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - LIFE INSURANCE FUND  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2019	\$ 8,748	\$ 8,748	\$ -	\$ 30,740,956	0.0285%
2018	\$ 8,617	\$ 8,617	\$ -	\$ 30,600,934	0.0282%

\* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2019**

***Changes of Benefit Terms:***

None

***Changes of assumptions:***

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

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, closed
Asset valuation method	Market Value
Investment Rate of Return	7.50%, net of OPEB plan investment expense, including inflation
Inflation	3.50%
Payroll growth rate	0.50%
Wage inflation	4.00%
Salary increase	4.00 to 8.10%, including wage inflation
Single discount rate	7.50%

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	District's Proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.3490%	\$ 21,254,859	\$ 8,788,147	241.8583%	53.5420%
2018	0.3440%	\$ 20,136,958	\$ 8,501,563	236.8618%	53.3249%
2017	0.3450%	\$ 16,987,252	\$ 8,304,705	204.5497%	55.5028%
2016	0.3474%	\$ 14,909,110	\$ 8,131,408	183.3521%	59.9684%
2015	0.3468%	\$ 11,271,399	\$ 8,059,434	139.8535%	66.8010%

\* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**MCCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2019	\$ 1,476,125	\$ 1,476,125	\$ -	\$ 9,110,243	16.2029%
2018	\$ 1,272,520	\$ 1,272,520	\$ -	\$ 8,788,147	14.4800%
2017	\$ 1,185,685	\$ 1,185,685	\$ -	\$ 8,501,563	13.9467%
2016	\$ 1,022,424	\$ 1,022,424	\$ -	\$ 8,304,705	12.3114%
2015	\$ 1,035,311	\$ 1,035,311	\$ -	\$ 8,131,408	12.7322%

\* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2019**

***Changes of Benefit Terms:***

None

***Methods and assumptions used in the actuarially determined contributions:***

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

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	27 years, Closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth rate	3.05%
Investment Return	6.25%
Inflation	2.30%
Single discount rate	5.85%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET MEDICAL  
INSURANCE PLAN - COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	District's Proportion of the net medical plan liability	District's proportionate share of the net medical plan liability (asset)	District's covered employee payroll	District's share of the net medical plan liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total medical plan liability
2019	0.3490%	\$ 6,196,088	\$ 8,788,147	70.5051%	57.6218%
2018	0.3440%	\$ 6,916,119	\$ 8,501,563	81.3511%	52.3940%

\* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.



**MCCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - MEDICAL INSURANCE PLAN  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS\***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2019	\$ 478,748	\$ 478,748	\$ -	\$ 9,110,243	5.2551%
2018	\$ 413,048	\$ 413,048	\$ -	\$ 8,788,147	4.7001%

\* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2019**

***Changes of Benefit Terms:***

None

***Methods and assumptions used in the actuarially determined contributions:***

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

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	27 years, Closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth rate	2.00%
Investment Return	6.25%
Inflation	2.30%
Single discount rate	5.85%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare trend rates (Pre-65)	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Healthcare trend rates (Post-65)	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

See Accompanying Independent Auditor's Report.

**OTHER SUPPLEMENTAL INFORMATION**

**MCCRACKEN COUNTY BOARD OF EDUCATION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of June 30, 2019**

	Debt Service Fund	Total Nonmajor Govt. Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable	-	-
Due from general fund	-	-
<b>Total assets</b>	-	-
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts payable	-	-
<b>Total liabilities</b>	-	-
 <b>Fund Balances</b>		
Reserved:		
SFCC Debt Service	-	-
Capital Projects	-	-
Unreserved:	-	-
<b>Total fund balances</b>	-	-
<b>Total liabilities and fund balances</b>	\$ -	\$ -

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2019**

	Debt Service Fund	Total Nonmajor Govt. Funds
<b>Revenues</b>		
From local sources		
Property taxes	\$ -	\$ -
State sources		
On-behalf payments	415,941	415,941
<b>Total revenues</b>	415,941	415,941
<b>Expenditures</b>		
Debt service	5,613,665	5,613,665
<b>Total expenditures</b>	5,613,665	5,613,665
<b>Excess (deficit) of revenues over expenditures</b>	(5,197,724)	(5,197,724)
<b>Other Financing Sources (Uses)</b>		
Operating transfers in	5,197,724	5,197,724
Operating transfers out	-	-
<b>Total other financing sources (uses)</b>	5,197,724	5,197,724
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	-	-
<b>Net change in fund balances</b>	-	-
<b>Fund balance, July 1, 2018</b>	-	-
<b>Fund balance, June 30, 2019</b>	\$ -	\$ -

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION  
SCHOOL ACTIVITY FUNDS**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balances 7/1/2018	Receipts	Disburse- ments	(Interfund Transfers)		Cash Balances 6/30/2019	Accounts Receivable 6/30/2019	Accounts Payable 6/30/2019	Amounts Due to Student Groups 6/30/2019
				To	From				
<b>High Schools</b>									
McCracken County	\$ 471,476	\$ 1,151,080	\$ 1,133,557	\$ 186,396	\$ (186,396)	\$ 488,999	\$ 3,360	\$ 6,665	\$ 485,694
<b>Middle Schools</b>									
Heath	41,201	205,974	215,882	1,342	(1,342)	31,292	6,674	1,959	36,007
Lone Oak	43,154	102,461	113,159	1,125	(1,125)	32,456	-	-	32,456
Reidland	22,051	84,157	84,219	1,568	(1,568)	21,989	520	400	22,109
<b>Intermediate Schools</b>									
Lone Oak	33,901	58,326	47,074	4,840	(4,840)	45,153	15	1,866	43,302
Reidland	19,804	24,494	26,561	1,546	(1,546)	17,737	-	129	17,608
<b>Elementary Schools</b>									
Concord	7,107	43,516	41,326	1,676	(1,676)	9,297	-	-	9,297
Heath	13,119	13,484	15,968	15	(15)	10,635	-	-	10,635
Hendron Lone Oak	15,087	72,840	66,808	2,404	(2,404)	21,119	-	-	21,119
Lone Oak Elementary	43,366	43,544	53,480	2,910	(2,910)	33,430	-	-	33,430
Reidland	25,780	29,223	27,363	100	(100)	27,640	-	-	27,640
<b>Totals</b>	<u>\$ 736,046</u>	<u>\$ 1,829,099</u>	<u>\$ 1,825,397</u>	<u>\$ 203,922</u>	<u>\$ (203,922)</u>	<u>\$ 739,747</u>	<u>\$ 10,569</u>	<u>\$ 11,019</u>	<u>\$ 739,297</u>

See Accompanying Independent Auditor's Report.

**MCCRACKEN COUNTY BOARD OF EDUCATION  
MCCRACKEN COUNTY HIGH SCHOOL ACTIVITY FUNDS**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS**

**YEAR ENDED JUNE 30, 2019**

	Cash		Disburse- ments	(Interfund Transfers)		Cash Balances 6/30/2019	Accounts Receivable 6/30/2019	Accounts Payable 6/30/2019	Amounts Due to Student Groups 6/30/2019
	Balances 7/1/2018	Receipts		To	From				
AP / PSAT Exams	\$ 14,421	\$ 55,130	\$ 51,042	\$ -	\$ -	\$ 18,509	\$ -	\$ -	\$ 18,509
Academic	-	5,314	10,159	4,845	-	-	-	-	-
Art Club	3,436	2,062	3,874	-	-	1,624	-	-	1,624
Archery	-	18	220	202	-	-	-	-	-
Athletics	120,903	375,783	226,091	9,278	(133,691)	146,182	3,360	6,500	143,042
Post Season Play	-	11,718	42,595	30,877	-	-	-	-	-
Band	3,970	9,094	16,455	7,106	-	3,715	-	-	3,715
Band - Boosters	9,002	-	-	-	-	9,002	-	-	9,002
Baseball	-	-	5,153	6,965	-	1,812	-	-	1,812
Basketball - Boys	9,236	8,890	18,809	8,500	(35)	7,782	-	-	7,782
Basketball - Girls Youth	4,018	7,760	4,616	-	-	7,162	-	-	7,162
Basketball - Girls	-	1,732	7,281	8,500	-	2,951	-	-	2,951
Basketball - Boosters	224	-	-	-	-	224	-	-	224
Bass Fishing	-	-	3,809	3,809	-	-	-	-	-
Beta Club	1,334	2,350	3,463	-	-	221	-	-	221
Biology	4,756	-	-	-	-	4,756	-	-	4,756
Bowling	543	-	1,774	1,231	-	-	-	-	-
Cheerleader	8,445	24,930	32,342	-	-	1,033	-	-	1,033
Cheerleading-COED	3,615	104,896	95,327	2,714	(15)	15,883	-	-	15,883
Choir	-	17,767	18,277	510	-	-	-	-	-
Classroom - Lab/Fee	36,034	50,931	40,130	22,518	(22,518)	46,835	-	165	46,670
Color Guard	559	2,650	1,870	-	-	1,339	-	-	1,339
Comic-Con	499	-	335	-	(164)	-	-	-	-
Cross Country	160	-	2,362	2,202	-	-	-	-	-
Cultural Club	41	-	-	-	(41)	-	-	-	-
Daily Living Skills	4,139	3,110	3,550	-	-	3,699	-	-	3,699
Dance Team	2,254	7,105	8,269	4,718	-	5,808	-	-	5,808
District Tournament	-	7,980	6,957	-	(396)	627	-	-	627
Drama	28,930	40,536	43,693	-	-	25,773	-	-	25,773
Environmental Club	6,648	789	781	-	-	6,656	-	-	6,656
FACS	-	14,675	12,052	-	-	2,623	-	-	2,623
Faculty Fund	183	-	-	-	-	183	-	-	183
FBLA	463	2,955	2,833	-	-	585	-	-	585
FCCLA	3,524	21,136	22,913	-	-	1,747	-	-	1,747
FCA	524	805	966	-	-	363	-	-	363
FFA	14,091	65,274	61,861	-	-	17,504	-	-	17,504
Field Trips	8,782	41,928	36,388	-	-	14,322	-	-	14,322
Football	191	4,090	31,217	26,936	-	-	-	-	-
French Natl Honor S	-	-	-	-	-	-	-	-	-
Future Educators	3,457	-	-	-	(3,457)	-	-	-	-
General Fund	53,243	21,847	22,178	3,662	(8,561)	48,013	-	-	48,013
Golf	-	160	3,573	3,513	-	100	-	-	100
Golf-Boosters	2,057	-	-	-	(2,057)	-	-	-	-
HOSA Club	12,051	25,092	35,976	-	-	1,167	-	-	1,167
Intermural Sports	-	120	3,133	3,014	-	1	-	-	1
History Club	109	480	532	-	-	57	-	-	57
Library	1,977	238	177	15	-	2,053	-	-	2,053
Mustang Madness	-	13,091	1,291	-	-	11,800	-	-	11,800
Mechandise	24,888	44,266	43,602	110	(1,000)	24,662	-	-	24,662
Mustangs on a Mission	5,269	2,576	675	-	-	7,170	-	-	7,170
National Honor Society	2,686	3,547	2,380	-	-	3,853	-	-	3,853
Newspaper	570	2,824	4,070	676	-	-	-	-	-
Pep Club	1,368	3,130	2,744	-	-	1,754	-	-	1,754
Ping Pong Club	62	-	-	-	-	62	-	-	62
Project Graduation	1,294	17,345	18,209	-	-	430	-	-	430
Regional Tournament	887	16,750	9,161	125	(8,601)	-	-	-	-

**MCCRACKEN COUNTY BOARD OF EDUCATION  
MCCRACKEN COUNTY HIGH SCHOOL ACTIVITY FUNDS**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS**

YEAR ENDED JUNE 30, 2019

	Cash Balances 7/1/2018	Receipts	Disburse- ments	(Interfund Transfers)		Cash Balances 6/30/2019	Accounts Receivable 6/30/2019	Accounts Payable 6/30/2019	Amounts Due to Student Groups 6/30/2019
				To	From				
Robotics Team	265	-	(12)	-	-	277	-	-	277
School Dance	4,412	27,961	25,805	-	(3,000)	3,568	-	-	3,568
Soccer - Boys	-	1,890	8,593	6,703	-	-	-	-	-
Soccer - Girls	-	-	3,377	3,377	-	-	-	-	-
Soccer-Boosters	828	-	-	-	(828)	-	-	-	-
Softball	1,251	-	10,515	9,264	-	-	-	-	-
Special Events	-	-	-	-	-	-	-	-	-
Speech	-	-	100	100	-	-	-	-	-
Student Government	1,237	625	1,012	-	-	850	-	-	850
Swim Team	1,804	-	1,564	696	-	936	-	-	936
Swim Team - Boosters	2,830	3,861	1,271	-	-	5,420	-	-	5,420
Tennis	18,958	19,671	31,129	465	(356)	7,609	-	-	7,609
Track	1,624	4,605	9,081	2,868	-	16	-	-	16
Trap Team	-	-	465	465	-	-	-	-	-
Volleyball	4,294	13,075	19,501	5,432	-	3,300	-	-	3,300
Volleyball-Boosters	1,000	-	-	-	(1,000)	-	-	-	-
World Language Club	1,627	794	968	-	-	1,453	-	-	1,453
Wrestling	-	-	4,002	5,000	-	998	-	-	998
Year Book	27,747	33,447	48,759	-	(676)	11,759	-	-	11,759
Youth Services Center	2,756	2,277	2,262	-	-	2,771	-	-	2,771
<b>Totals</b>	<b>\$ 471,476</b>	<b>\$ 1,151,080</b>	<b>\$ 1,133,557</b>	<b>\$ 186,396</b>	<b>\$ (186,396)</b>	<b>\$ 488,999</b>	<b>\$ 3,360</b>	<b>\$ 6,665</b>	<b>\$ 485,694</b>

**McCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures *</u>	<u>Totals</u>
<b>US Department of Education</b>				
Passed through State Department of Education:				
Title I-Grants to Local Educational Agencies	84.010	3100002 16	\$ 3,037	
	84.010	3100002 17	361,425	
	84.010	3100002 18	<u>1,171,067</u>	\$ 1,535,529
Special Education Cluster (IDEA):				
Special Education-Grant to States	84.027	3810002 16	1,803	
	84.027	3810002 17	163,083	
	84.027	3810002 18	<u>1,358,644</u>	1,523,530
Special Education-Preschool Grants				
	84.173	3800002 16	841	
	84.173	3800002 17	64,328	
	84.173	3800002 18	<u>22,610</u>	87,779
Total Special Education Cluster				<u>1,611,309</u>
Rehabilitation Services - Vocational rehabilitation				
Grants to States	84.126	371D	(200)	
	84.126	371E	<u>28,850</u>	28,650
Twenty-First Century Community Learning Centers				
	84.287	3400002 16	201,018	
	84.287	3400002 17	<u>814,067</u>	1,015,085
Student Support and Acedemicenrichment Program				
	84.424	3420002 17	<u>29,267</u>	29,267
Improving Teacher Quality State Grants				
	84.367	3230002 17	<u>129,250</u>	129,250
Passed through Workforce Development Cabinet:				
Career and Technology Education-Basic				
Grants to States	84.048	3710002 17	2,525	
	84.048	3710002 18	<u>48,953</u>	51,478
English Language Acquisition Grants				
	84.365	345C	7,046	
	84.365	345D	<u>1,134</u>	8,180
Passed through Health and Human Srvices:				
Cooperative Agreements to Promote Adolescent Health through School-based HIV/STD Prevention and School-Based Surveilance				
	93.097	2100001 18	400	<u>400</u>
<b>Total U.S Department of Education</b>				<u>4,409,148</u>

\* The District did not pass-through any federal awards to subrecipients.



**McCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures *</u>	<u>Totals</u>
<b>US Department of Agriculture</b>				
Passed through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	7760005 18	163,361	
	10.553	7760005 19	<u>601,312</u>	764,673
National School Lunch Program	10.555	7750002 18	451,549	
	10.555	7750002 19	<u>1,704,185</u>	2,155,734
Passed through State Department of Agriculture				
National School Lunch Program:				
Non-monetary Food Distribution (Note B)	10.555	2019	<u>266,817</u>	266,817
Passed through State Department of Education:				
Summer Food Service Program for Children				
	10.559	7740023 18	14,121	
	10.559	7740024 18	<u>55,426</u>	69,547
Child Nutrition Discretionary Grants Limited Availability	10.579	7840027 17	<u>30,820</u>	30,820
Child and Adult Care Food Program	10.558	7800016 18	4,128	
		7800016 19	21,096	
		7790021 18	58,150	
		7790021 19	<u>297,139</u>	380,513
<b>Total US Department of Agriculture</b>				<u>3,668,104</u>
<b>Total Federal Awards</b>				<u>\$ 8,077,252</u>

\* The District did not pass-through any federal awards to subrecipients.

**McCRACKEN COUNTY BOARD OF EDUCATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of McCracken County Board of Education and is presented on the accrual method of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Negative amounts reflected in the schedule represent adjustments or credits resulting from the normal course of activity to amounts reported as expenditures in prior years.

**NOTE B – COMMODITIES**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and used.

**NOTE C – RECONCILIATION OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS**

Total Federal Awards per Schedule of Expenditures of Federal Awards	<u>\$ 8,077,252</u>
Federal Awards Revenues Reported by Fund	
General Fund	\$ -
Special Revenue Fund	4,408,748
Proprietary Fund	3,668,104
Student Activity Fund	<u>400</u>
Total Federal Awards Revenues Reported	<u>\$ 8,077,252</u>

Federal revenues of \$194,579 were reflected in the general fund for reimbursements for Medicaid claims and accordingly, were not included in the Schedule of Expenditures of Federal Awards.

**NOTE D – INDIRECT COST RATE**

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



**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  
Members of the Board of Education  
McCracken County Board of Education  
Paducah, Kentucky

We have audited, 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 *Kentucky Public School Districts' Audit Contract and Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McCracken County Board of Education as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the McCracken County Board of Education's basic financial statements and have issued our report thereon dated October 22, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulation identified in *Kentucky Public School Districts' Audit Contract and Requirements*.

We noted certain other matters that we reported to management of the McCracken County Board of Education in a separate letter dated October 22, 2019.

### **Purpose of this report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
October 22, 2019



**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  
Members of the Board of Education  
McCracken County Board of Education  
Paducah, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited the McCracken County Board of Education'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 McCracken County Board of Education's major federal programs for the year ended June 30, 2019. McCracken County Board of Education'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 the federal statutes, regulations, and the terms and conditions of the federal awards applicable to its federal programs.

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the McCracken County Board of Education, complied, in all material respects, with the 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 McCracken County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the McCracken County Board of Education'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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the McCracken County Board of Education's internal control over compliance.

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

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

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

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
October 22, 2019

**McCRACKEN COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

**Summary of Auditor’s Results**

1. The independent auditor’s report expresses an unmodified opinion on whether the financial statements of the McCracken County Board of Education were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies relating to the audit of the financial statements are reported. No material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the McCracken County Board of Education, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported. No material weaknesses in internal control over major federal award programs are reported.
5. The auditor’s report on compliance for the major federal award programs for the McCracken County Board of Education expresses an unmodified opinion on all major federal programs.
6. There are no findings to be reported in accordance with 2 CFR Section 200.516(a) in this schedule.
7. The programs tested as major programs included:

<u>Name</u>	<u>CFDA</u>
Title I – Grants to Local Education Agencies	84.010
Twenty-First Century Community Learning Centers	84.287

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. The McCracken County Board of Education did qualify to be audited as a low-risk auditee.

**Findings – Financial Statements Audit**

There are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

**Findings and Questioned Costs – Major Federal Awards Programs**

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Award* (Uniform Guidance).

**McCRACKEN COUNTY BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2019**

**Findings – Financial Statements Audit**

There were no prior year findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

**Findings and Questioned Costs – Major Federal Awards Programs**

There were no prior year findings or questioned costs related to the major federal programs which are required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Award* (Uniform Guidance).