

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

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October 13, 2019

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the district's proportionate share of net pension liabilities, or the schedules of the district's proportionate share of net other post-employment benefits on Pages 4 through 10, 55 through 58, and 61 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Meade County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2019, on our consideration of Meade County School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Meade County School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meade County School District’s internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

**MEADE COUNTY SCHOOL DISTRICT – BRANDENBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

The discussion and analysis of Meade County School District’s financial performance provides an overall review of the School District’s financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to review the School District’s financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District’s financial performance.

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

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$21.7 million. This reflects a decrease in cash from 2018 of \$12 million. This decrease in cash is due to the Construction Fund expending \$12.7 million on the expansion and renovation of Stuart Pepper Middle School. This was a planned use of bond proceeds.
- The general fund had an increase in fund balance of \$447 thousand for the year. All governmental funds combined had a decrease in fund balance of \$12.8 million for the year. This decrease is also attributed to the use of funds for the renovation of Stuart Pepper Middle School.
- The food service fund ended the school year with a decrease in cash of \$201 thousand. This is the first year that all schools in the district participated in the Community Eligibility Provision of the National School Lunch Program. The financial feasibility of this program will be monitored closely going forward.
- The Meade County Board of Education levied a recallable property tax rate of 58.8 cents per \$100 of valuation this fiscal year. This produced an increase in property tax revenue of 15%, or \$1.1 million. The increased revenue was used to provide a minimum 3% raise for all employees. No recall petition was presented by the citizenry and the recall period has expired.

USING THIS ANNUAL REPORT

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

Government-wide financial statements. The government-wide financial statements 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 deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 11 - 12 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. There is a state mandated uniform accounting system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. The proprietary funds are our food service operation. The only fiduciary funds are agency funds. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 -20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$25 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 debt used to acquire those assets that is outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Position for the periods ending June 30, 2019 and 2018
(Table 1)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$ 21,472,351	\$ 33,819,677	531,035	736,310	22,003,386	34,555,987
Capital Assets	<u>107,005,023</u>	<u>96,376,288</u>	<u>303,549</u>	<u>383,624</u>	<u>107,308,572</u>	<u>96,759,912</u>
Total Assets	<u>128,477,374</u>	<u>130,195,965</u>	<u>834,584</u>	<u>1,119,934</u>	<u>129,311,958</u>	<u>131,315,899</u>
Deferred Outflows	<u>5,633,165</u>	<u>6,734,818</u>	<u>668,500</u>	<u>856,031</u>	<u>6,301,665</u>	<u>7,590,849</u>
Current Liabilities	7,100,011	6,559,990	4,834	22,585	7,104,845	6,582,575
Non-Current Liabilities	<u>97,696,765</u>	<u>102,840,382</u>	<u>2,596,959</u>	<u>2,717,982</u>	<u>100,293,724</u>	<u>105,558,364</u>
Total Liabilities	<u>104,796,776</u>	<u>109,400,372</u>	<u>2,601,793</u>	<u>2,740,567</u>	<u>107,398,569</u>	<u>112,140,939</u>
Deferred Inflows	<u>2,903,596</u>	<u>1,743,976</u>	<u>344,937</u>	<u>248,797</u>	<u>3,248,533</u>	<u>1,992,773</u>
Net Position						
Investment in capital assets (net of debt)	35,152,050	21,096,606	303,549	383,624	35,455,599	21,480,230
Restricted	9,020,996	22,284,705	0	0	9,020,996	22,284,705
Other Purposes	0	0	(1,747,195)	(1,397,023)	(1,747,195)	(1,397,023)
Unrestricted	<u>(17,762,879)</u>	<u>(17,594,876)</u>	<u>0</u>	<u>0</u>	<u>(17,762,879)</u>	<u>(17,594,876)</u>
Total Net Position	<u>26,410,167</u>	<u>25,786,435</u>	<u>(1,443,646)</u>	<u>(1,013,399)</u>	<u>24,966,521</u>	<u>24,773,036</u>

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2019, net of interfund transfers and bond proceeds, were \$54.2 million.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$12 million more than budget or approximately 41%. The variance is primarily explained by unbudgeted on-behalf payments made by the State of Kentucky in the amount of \$10.8 million for employee retirement and insurance.
- General fund budget expenditures to actual varied significantly in Instruction. The variance for instructional expenses is caused by the state on-behalf payments detailed above.

**Summary of Changes in Net Position for the periods ending June 30, 2019 and 2018
(Table 2)**

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
REVENUES:	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program revenues:						
Charges for Services	85,501	35,455	158,096	386,804	243,597	422,259
Operating grants and contributions	3,918,264	3,861,193	2,964,139	2,798,238	6,882,403	6,659,431
Capital grants and contributions	112,412	116,739	-	-	112,412	116,739
General revenues:						
Property taxes	8,487,574	7,353,783	-	-	8,487,574	7,353,783
Motor vehicle taxes	1,160,282	1,263,723	-	-	1,160,282	1,263,723
Utility taxes	1,317,988	1,568,790	-	-	1,317,988	1,568,790
Other taxes	99,707	2,753	-	-	99,707	2,753
Investment earnings	621,243	149,169	8,957	4,548	630,200	153,717
State and formal grants	35,005,744	34,827,240	-	-	35,005,744	34,827,240
Gain (loss) on asset disposal	297	177,169	-	-	297	177,169
Miscellaneous	294,091	897,718	(77,233)	(85,949)	216,858	811,769
Total Revenues	<u>51,103,103</u>	<u>50,253,732</u>	<u>3,053,959</u>	<u>3,103,641</u>	<u>54,157,062</u>	<u>53,357,373</u>
EXPENSES:						
Program Activities:						
Instruction	31,564,948	32,689,504	-	-	31,564,948	32,689,504
Student Support	2,778,757	2,738,397	-	-	2,778,757	2,738,397
Instructional staff support	1,523,703	1,623,214	-	-	1,523,703	1,623,214
District administrative support	962,834	1,159,502	-	-	962,834	1,159,502
School administrative support	2,362,136	2,261,827	-	-	2,362,136	2,261,827
Business support	634,641	601,100	-	-	634,641	601,100
Plant operation and maintenance	4,219,355	4,066,535	-	-	4,219,355	4,066,535
Student transportation	3,469,750	3,255,822	-	-	3,469,750	3,255,822
Facilities acquisition	383,688	59,566	-	-	383,688	59,566
Community service activities	380,716	373,809	-	-	380,716	373,809
Other	(826)	10,953	-	-	(826)	10,953
Interest cost	2,199,669	1,575,665	-	-	2,199,669	1,575,665
Business-type Activities:						
Food service	-	-	3,484,206	3,384,537	3,484,206	3,384,537
Total Expenses	<u>50,479,371</u>	<u>50,415,894</u>	<u>3,484,206</u>	<u>3,384,537</u>	<u>53,963,577</u>	<u>53,800,431</u>
Change in Net Position	<u>623,732</u>	<u>(162,162)</u>	<u>(430,247)</u>	<u>(280,896)</u>	<u>193,485</u>	<u>(443,058)</u>

Governmental Activities

Instruction comprises 63% of governmental program expenditures. Support services expense are 32% of government expenses. Interest costs and other account for the remaining 5%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Cost of Governmental Activities
(Table 3)**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	31,564,948	32,689,504	28,551,034	29,793,589
Support Services	15,950,350	15,717,350	15,334,135	15,076,696
Other	764,404	433,375	390,768	73,296
Interest Costs	2,199,669	1,575,665	2,087,257	1,458,926
Total Expenses	50,479,371	50,415,894	46,363,194	46,402,507

Business-Type Activities

The business-type activities include the food service operation. This program had total revenue of \$3,131,312 and expenses of \$3,561,559 for fiscal year 2019. Of the revenues, \$158,096 was charges for services, and \$2,964,139 was from State and Federal grants. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$51.1 million and expenditures and other financing uses of \$63.9 million.

General Fund-Budget Highlights

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process. It is the District's practice to not include state on-behalf payments in the budget.

Capital Assets and Debt Administration
Capital Assets

At the end of fiscal year 2019 the School District had \$92.3 million invested in land, buildings, equipment, and vehicles. Of this total, \$92 million were in governmental activities. Table 4 shows fiscal year 2019 and 2018 balances.

Capital Assets at June 30, 2019 and 2018
Net of Depreciation
(Table 4)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	3,065,615	3,065,615	-	-	3,065,615	3,065,615
Buildings and improvements	85,866,901	70,400,981	-	-	85,866,901	70,400,981
Technology	146,961	97,494	7,949	1,787	154,910	99,281
Vehicles	2,316,541	2,406,297			2,316,541	2,406,297
General equipment	585,652	228,325	295,600	381,837	881,252	610,162
Total	91,981,670	76,198,712	303,549	383,624	92,285,219	76,582,336
Construction in progress	15,023,353	20,177,576	-	-	15,023,353	20,177,576
Total	107,005,023	96,376,288	303,549	383,624	107,308,572	96,759,912

Changes in Capital Assets for the periods ended June 30, 2019 and 2018
(Table 5)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Beginning Balance	96,376,288	85,861,286	383,624	484,903	96,759,912	86,346,189
Additions	14,133,510	13,824,098	19,143	1,526	14,152,653	13,825,624
Retirements	(126,104)	(70,244)	-	(544)	(126,104)	(70,788)
Depreciation	(3,378,671)	(3,238,852)	(99,218)	(102,261)	(3,477,889)	(3,341,113)
Ending Balance	107,005,023	96,376,288	303,549	383,624	107,308,572	96,759,912

The renovation of Meade County College and Career Center was completed this year and the addition and renovation of Stuart Pepper Middle School continued this year. Construction work in process as of June 30, 2019 totaled \$15,023,353.

Debt

At June 30, 2019, the School District had \$70,743,000 in bonds outstanding; of this amount \$3,571,813 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$3,346,000 is due within one year.

District Challenges for the Future

Meade County School District continues to be financially sound. However, the current state and national financial climate requires the District to remain prudent. The District has been required to provide financial support for unfunded mandates imposed by the state and federal government. Also, the state administered employee pension plans continue to be underfunded. This has placed a large possible future liability on all Kentucky School Districts.

Meade County Schools will continue to use careful planning and monitoring of finances to provide a quality education for students and a secure financial future for the school district.

Future Budgetary Implications

In Kentucky, the public schools' fiscal year is July 1 – June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2019 – 2020 with a contingency greater than the required minimum of 2%.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Susan Fackler, CPA, Finance Officer, 1155 Old Ekron Road, Brandenburg, Kentucky, 40108, (270) 422-7500.

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	21,186,788	484,474	21,671,262
Accounts Receivable:			
Taxes - Current	97,357		97,357
Taxes - Delinquent	3,143		3,143
Accounts	177,682	22,790	200,472
Intergovernmental - Federal	7,381		7,381
Inventories for Consumption		23,771	23,771
Total Current Assets	21,472,351	531,035	22,003,386
Noncurrent Assets - Note F			
Land	3,065,615		3,065,615
Construction in Progress	15,023,353		15,023,353
Buildings & Improvements	124,537,238		124,537,238
Furniture & Equipment	10,875,628	1,886,360	12,761,988
Less: Accumulated Depreciation	(46,496,811)	(1,582,811)	(48,079,622)
Total Noncurrent Assets	107,005,023	303,549	107,308,572
TOTAL ASSETS	128,477,374	834,584	129,311,958
Deferred Outflows Related to Pensions	3,248,708	496,943	3,745,651
Deferred Outflows Related to Other Post Employment Benefits	1,864,510	171,557	2,036,067
Deferred Outflows Related to Advanced Bond Refundings	519,947		519,947
TOTAL DEFERRED OUTFLOWS	5,633,165	668,500	6,301,665
TOTAL ASSETS AND DEFERRED OUTFLOWS	134,110,539	1,503,084	135,613,623
LIABILITIES:			
Current Liabilities:			
Accounts Payable	2,254,989	4,834	2,259,823
Accrued Salaries & Sick Leave - Note A	457,352		457,352
Advances from Grantors	378,851		378,851
KSBIT Assessment - Note Q	57,872		57,872
Bond Obligations - Note D	3,346,000		3,346,000
Capital Lease Obligation - Note E	169,958		169,958
Accrued Interest Payable	434,989		434,989
Total Current Liabilities	7,100,011	4,834	7,104,845
Noncurrent Liabilities:			
Bond Obligations - Note D	67,397,000		67,397,000
Unamortized Bond Premium	1,486,259		1,486,259
Capital Lease Obligation - Note E	940,015		940,015
KSBIT Assessment - Note Q	57,872		57,872
Net Pension Liability	13,243,212	2,010,017	15,253,229
Net Other Post Employment Benefits Liability	14,272,588	586,942	14,859,530
Accrued Sick Leave - Note A	299,819		299,819
Total Noncurrent Liabilities	97,696,765	2,596,959	100,293,724
TOTAL LIABILITIES	104,796,776	2,601,793	107,398,569
Deferred Inflows Related to Other Post Employment Benefits	1,497,268	135,601	1,632,869
Deferred Inflows Related to Pensions	1,406,328	209,336	1,615,664
TOTAL DEFERRED INFLOWS	2,903,596	344,937	3,248,533
TOTAL LIABILITIES AND DEFERRED INFLOWS	107,700,372	2,946,730	110,647,102
NET POSITION:			
Net Investment in Capital Assets	35,152,050	303,549	35,455,599
Restricted for:			
Capital Projects	8,075,062		8,075,062
SFCC Escrow	942,725		942,725
Debt Service	3,209		3,209
Food Service		(1,747,195)	(1,747,195)
Unrestricted	(17,762,879)		(17,762,879)
TOTAL NET POSITION	26,410,167	(1,443,646)	24,966,521
TOTAL LIABILITIES AND NET POSITION	134,110,539	1,503,084	135,613,623

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

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

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	31,564,948	41,800	2,972,114		(28,551,034)		(28,551,034)
Support Services:							
Student Support Services	2,778,757		82,622		(2,696,135)		(2,696,135)
Staff Support Services	1,523,703		292,967		(1,230,736)		(1,230,736)
District Administration	962,834				(962,834)		(962,834)
School Administration	2,362,136				(2,362,136)		(2,362,136)
Business Support Services	634,641				(634,641)		(634,641)
Plant Operation & Maintenance	4,219,355		118,400		(4,100,955)		(4,100,955)
Student Transportation	3,469,750	43,701	78,525		(3,347,524)		(3,347,524)
Food Service Operations	(826)				826		826
Community Service Operations	380,716		373,636		(7,080)		(7,080)
Facilities Acquisition & Construction	383,688				(383,688)		(383,688)
Interest on Long-Term Debt	2,199,669			112,412	(2,087,257)		(2,087,257)
TOTAL GOVERNMENTAL ACTIVITIES	50,479,371	85,501	3,918,264	112,412	(46,363,194)		(46,363,194)
BUSINESS-TYPE ACTIVITIES:							
Food Service	3,484,206	158,096	2,964,139			(361,971)	(361,971)
TOTAL BUSINESS-TYPE ACTIVITIES	3,484,206	158,096	2,964,139	0	0	(361,971)	(361,971)
TOTAL SCHOOL DISTRICT	53,963,577	243,597	6,882,403	112,412	(46,363,194)	(361,971)	(46,725,165)
GENERAL REVENUES:							
Taxes:							
Property					8,487,574		8,487,574
Motor Vehicle					1,160,282		1,160,282
Utility					1,317,988		1,317,988
Other					99,707		99,707
State Aid - Formula Grants					35,005,744		35,005,744
Investment Earnings					621,243	8,957	630,200
Miscellaneous					166,485	120	166,605
Funds Transfer (Expense)					77,353	(77,353)	0
Loss Compensation					50,253		50,253
Gain(Loss) Sale of Assets					297		297
TOTAL GENERAL REVENUES & TRANSFERS					46,986,926	(68,276)	46,918,650
CHANGE IN NET POSITION					623,732	(430,247)	193,485
NET POSITION - BEGINNING					25,786,435	(1,013,399)	24,773,036
NET POSITION - ENDING					26,410,167	(1,443,646)	24,966,521

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

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

	GENERAL FUND	SPECIAL REVENUE	BUILDING FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	10,048,783	430,556	821,328	9,761,515	124,606	21,186,788
Accounts Receivable:						
Taxes - Current	97,357					97,357
Taxes - Delinquent	3,143					3,143
Accounts	175,866	1,816				177,682
Interfund Receivable				378,000		378,000
Intergovernmental - Federal		7,381				7,381
TOTAL ASSETS	10,325,149	439,753	821,328	10,139,515	124,606	21,850,351
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	129,634	60,902		2,064,453		2,254,989
Accrued Salaries & Sick Leave	457,352					457,352
Interfund Payable	378,000					378,000
Advances from Grantors		378,851				378,851
Total Liabilities	964,986	439,753	0	2,064,453	0	3,469,192
Fund Balance:						
Restricted for:						
Capital Projects				8,075,062		8,075,062
SFCC Escrow			821,328		121,397	942,725
Debt Service					3,209	3,209
Committed For:						
Accrued Sick Leave	299,819					299,819
Assigned For:						
Purchase Obligations	55,372					55,372
Unassigned	9,004,972					9,004,972
Total Fund Balance	9,360,163	0	821,328	8,075,062	124,606	18,381,159
TOTAL LIABILITIES AND FUND BALANCES	10,325,149	439,753	821,328	10,139,515	124,606	21,850,351

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

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

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

TOTAL GOVERNMENTAL FUND BALANCE		18,381,159
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	153,501,834	
Accumulated Depreciation	<u>(46,496,811)</u>	107,005,023
Deferred Outflows Related to Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.		519,947
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.		3,248,708
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.		1,864,510
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(70,743,000)	
Unamortized Bond Premium	(1,486,259)	
Capital Lease Obligation	(1,109,973)	
Accrued Interest on Bonds	(434,989)	
KSBIT Assessment	(115,744)	
Net Pension Liability	(13,243,212)	
Net Other Post Employment Benefits Liability	(14,272,588)	
Accrued Sick Leave	<u>(299,819)</u>	(101,705,584)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.		(1,497,268)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.		<u>(1,406,328)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>26,410,167</u></u>

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

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

	GENERAL	SPECIAL REVENUE	BUILDING FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes:						
Property	5,964,121		2,523,453			8,487,574
Motor Vehicle	1,160,282					1,160,282
Utility	1,317,988					1,317,988
Other	99,707					99,707
Earnings on Investments	232,139			383,688	5,416	621,243
Intergovernmental - State	31,269,753	1,697,304	3,047,421		800,982	36,815,460
Intergovernmental - Federal	133,513	2,087,447				2,220,960
Other Sources	137,745	114,241				251,986
TOTAL REVENUES	40,315,248	3,898,992	5,570,874	383,688	806,398	50,975,200
EXPENDITURES:						
Instructional	25,133,326	3,028,430				28,161,756
Support Services:						
Student Support Services	2,608,622	84,188				2,692,810
Staff Support Services	1,182,202	298,518				1,480,720
District Administration	948,040					948,040
School Administration	2,280,427					2,280,427
Business Support Services	673,899					673,899
Plant Operation & Maintenance	4,047,050	120,643				4,167,693
Student Transportation	3,160,381	80,013				3,240,394
Food Service Operation	(826)					(826)
Community Service Operations		380,716				380,716
Facilities Acquisition & Construction				14,123,291		14,123,291
Debt Service:						
Principal	166,709				3,260,000	3,426,709
Interest	28,015				2,319,378	2,347,393
TOTAL EXPENDITURES	40,227,845	3,992,508	0	14,123,291	5,579,378	63,923,022
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	87,403	(93,516)	5,570,874	(13,739,603)	(4,772,980)	(12,947,822)
OTHER FINANCING SOURCES(USES):						
Proceeds from Sale of Assets	3,806					3,806
Loss Compensation	50,253					50,253
Operating Transfers In - Note N	777,353	93,516		402,022	5,221,503	6,494,394
Operating Transfers Out - Note N	(471,516)		(5,447,034)		(498,491)	(6,417,041)
TOTAL OTHER FINANCING SOURCES	359,896	93,516	(5,447,034)	402,022	4,723,012	131,412
NET CHANGE IN FUND BALANCES	447,299	0	123,840	(13,337,581)	(49,968)	(12,816,410)
FUND BALANCES - BEGINNING	8,912,864		697,488	21,412,643	174,574	31,197,569
FUND BALANCES - ENDING	9,360,163	0	821,328	8,075,062	124,606	18,381,159

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

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

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

NET CHANGES - GOVERNMENTAL FUNDS		(12,816,410)
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(3,501,266)	
Capital Outlays	<u>14,133,510</u>	
		10,632,244
<p>Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Principal Paid		3,426,709
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Amortization -Deferred Outflows from Advanced Bond Refundings	(70,254)	
Amortization - Bond Premiums	199,666	
District Pension Contributions	909,806	
Cost of Benefits Earned Net of Employee Contributions	(1,866,424)	
Accrued Interest Payable	18,312	
KSBIT Assessment	57,872	
District Other Post Employment Benefits Contributions	950,287	
Cost of Benefits Earned Net of Employee Contributions - OPEB	(799,867)	
Accrued Sick Leave	<u>(14,700)</u>	
		(615,302)
<p>In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.</p>		
Loss - Sale of Assets		<u>(3,509)</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>623,732</u></u>

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

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

	ENTERPRISE FUND
	FOOD SERVICE
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	484,474
Accounts Receivables	22,790
Inventories for Consumption	23,771
Total Current Assets	531,035
Noncurrent Assets:	
Furniture & Equipment	1,886,360
Less: Accumulated Depreciation	(1,582,811)
Total Noncurrent Assets	303,549
TOTAL ASSETS	834,584
Deferred Outflows Related to Other Post Employment Benefits	171,557
Deferred Outflows Related to Pensions	496,943
TOTAL ASSETS AND DEFERRED OUTFLOWS	1,503,084
LIABILITIES:	
Current Liabilities:	
Account Payable	4,834
Total Current Liabilities	4,834
Noncurrent Liabilities:	
Net Other Post Employment Benefits Liability	586,942
Net Pension Liability	2,010,017
Total Noncurrent Liabilities	2,596,959
TOTAL LIABILITIES	2,601,793
Deferred Inflows Related to Other Post Employment Benefits	135,601
Deferred Inflows Related to Pensions	209,336
TOTAL LIABILITIES AND DEFERRED INFLOWS	2,946,730
Net Position:	
Net Investment in Capital Assets	303,549
Restricted	(1,747,195)
Total Net Position	(1,443,646)
TOTAL LIABILITIES AND NET POSITION	1,503,084

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

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

	ENTERPRISE FUND
	FOOD SERVICE
OPERATING REVENUES:	
Lunchroom Sales	127,820
Other Operating Revenues	30,276
TOTAL OPERATING REVENUES	158,096
OPERATING EXPENSES:	
Salaries & Benefits	1,575,310
Contract Services	43,221
Materials & Supplies	1,761,721
Depreciation - Note F	99,218
Other Operating Expenses	4,736
TOTAL OPERATING EXPENSES	3,484,206
OPERATING INCOME(LOSS)	(3,326,110)
NONOPERATING REVENUES(EXPENSES):	
Federal Grants	2,579,841
State Grants	210,160
Donated Commodities	174,138
Interest Income	8,957
Donations	120
Transfer Out to General Fund	(77,353)
TOTAL NONOPERATING REVENUE	2,895,863
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(430,247)
CAPITAL CONTRIBUTIONS	0
CHANGE IN NET POSITION	(430,247)
NET POSITION - BEGINNING	(1,013,399)
TOTAL NET POSITION - ENDING	(1,443,646)

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

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

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from:	
Lunchroom Sales	127,820
Other Activities	30,276
Cash Paid to/for:	
Employees	(1,231,482)
Supplies	(1,597,283)
Other Activities	(47,957)
Net Cash Used by Operating Activities	(2,718,626)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer out to General Fund	(77,353)
Federal Grants	2,575,318
Donations	120
State Grants	28,980
Net Cash Provided by Non-Capital and Related Financing Activities	2,527,065
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
	0
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(19,143)
Receipt of Interest Income	8,957
Net Cash Used by Investing Activities	(10,186)
Net Increase (Decrease) in Cash and Cash Equivalents	(201,747)
Balances, Beginning of Year	686,221
Balances, End of Year	484,474
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	(3,326,110)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation	99,218
State On-Behalf Payments	181,180
Donated Commodities	174,138
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Deferred Outflows	187,531
Deferred Inflows	96,101
Net Pension Liability	(12,241)
Net Other Post Employment Benefits	(108,743)
Inventory	8,051
Accounts Payable	(17,751)
Net Cash Used by Operating Activities	(2,718,626)
Schedule of Non-Cash Transactions:	
Donated Commodities	174,138
State On-Behalf Payments	181,180

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

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

	<u>AGENCY FUND</u>
ASSETS:	
Cash and Cash Equivalents	278,454
TOTAL ASSETS	<u>278,454</u>
LIABILITIES:	
Accounts Payable	
Due to Student Groups	278,454
TOTAL LIABILITIES	<u>278,454</u>
NET POSITION HELD IN TRUST	<u><u>0</u></u>

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Meade 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 Meade County Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Meade County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Meade County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Meade County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

II. Proprietary Fund Types (Enterprise Fund)

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

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

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

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

Basis of Accounting

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were \$0.588 per \$100 valuation for real property, \$0.588 per \$100 valuation for business personal property, and \$0.546 per \$100 valuation for motor vehicles.

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

Capital Assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

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

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will have received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

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

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Cash and Cash Equivalents

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

Inventories

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

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

The food service fund uses the specific identification method.

Investments

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	299,819	Long-Term Sick Leave Commitment

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

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

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

Net Position

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

Operating Revenues and Expenses

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

Contributions of Capital

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

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

Pensions

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

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

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

Postemployment Benefits Other Than Pensions

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

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

At year-end, the carrying amount of the District's total cash and cash equivalents was \$21,949,716. Of the total cash balance, \$9,699,750 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

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

	Bank Balance	Book Balance
Wesbanco Bank, Inc.	15,308,984	12,499,966
Bank of the Ozarks	<u>9,449,750</u>	<u>9,449,750</u>
Total	<u>24,758,734</u>	<u>21,949,716</u>
Breakdown per financial statements:		
Governmental Funds		21,186,788
Proprietary Funds		<u>484,474</u>
Cash per Statement of Net Position		21,671,262
Agency Funds		<u>278,454</u>
Total Cash		<u>21,949,716</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Meade County School District Finance Corporation in the original amount aggregating \$81,695,000.

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

2011	590,000	1.90
2012	11,420,000	2.00% - 3.375%
2013	9,015,000	1.00% - 3.65%
2015 Refunding	7,080,000	1.00% - 2.625%
2016	15,665,000	2.00% - 3.00%
2016 Refunding	11,825,000	5.00% - 5.00%
2017 Refunding	3,590,000	1.50% - 2.20%
2018	22,510,000	3.00% - 4.00%

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2019-20	3,346,000	2,275,179	355,137	5,266,042
2020-21	3,423,000	2,182,648	355,125	5,250,523
2021-22	3,524,000	2,080,017	355,124	5,248,893
2022-23	3,560,000	1,970,908	301,191	5,229,717
2023-24	3,665,000	1,851,149	294,790	5,221,360
2024-25	3,790,000	1,723,638	294,790	5,218,847
2025-26	3,895,000	1,598,360	294,789	5,198,571
2026-27	4,020,000	1,459,258	281,165	5,198,094
2027-28	4,100,000	1,345,445	241,016	5,204,429
2028-29	4,155,000	1,220,146	241,014	5,134,133
2029-30	4,270,000	1,090,285	226,789	5,133,496
2030-31	4,275,000	961,038	198,271	5,037,767
2031-32	4,420,000	823,413	200,093	5,043,320
2032-33	3,410,000	681,219	174,863	3,916,355
2033-34	3,525,000	573,369	174,864	3,923,505
2034-35	3,625,000	459,275	174,864	3,909,411
2035-36	3,670,000	339,075	174,864	3,834,211
2036-37	3,670,000	207,425	134,564	3,742,861
2037-38	<u>2,400,000</u>	<u>96,000</u>	<u>0</u>	<u>2,496,000</u>
	<u>70,743,000</u>	<u>22,937,847</u>	<u>4,473,313</u>	<u>89,207,535</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities:					
Revenue Bond Payable	74,003,000	0	3,260,000	70,743,000	3,346,000
Capital Lease Obligations	1,276,682	0	166,709	1,109,973	169,958
KSBIT Assessment	173,616	0	57,872	115,744	57,872
Net Pension Liability	13,323,709	0	80,497	13,243,212	0
Net OPEB Liability	15,576,913	0	1,304,325	14,272,588	0
Accrued Sick Leave	<u>624,394</u>	<u>200,454</u>	<u>182,669</u>	<u>642,179</u>	<u>342,360</u>
Total Governmental					
Activities:	<u>104,978,314</u>	<u>200,454</u>	<u>5,052,072</u>	<u>100,126,696</u>	<u>3,916,190</u>
Proprietary Activities:					
Net OPEB Liability	695,724	0	108,782	586,942	0
Net Pension Liability	<u>2,022,258</u>	<u>0</u>	<u>12,241</u>	<u>2,010,017</u>	<u>0</u>
Total Long-Term					
Liabilities:	<u>107,696,296</u>	<u>200,454</u>	<u>5,173,095</u>	<u>102,723,655</u>	<u>3,916,190</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL LEASE PAYABLE

The District is the lessee of buses under capital leases expiring in various years through 2026. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2019.

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

<u>Classes of Property</u>	<u>Book Value as of June 30, 2019</u>
Buses	1,737,210
Accumulated Amortization	<u>(636,680)</u>
	<u>1,100,530</u>

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

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2020	194,639
2021	194,756
2022	194,535
2023	194,735
2024	180,273
2025-2026	<u>247,374</u>
Net minimum lease payments	1,206,312
Amount representing interest	<u>(96,339)</u>
Present value of net minimum lease payments	<u>1,109,973</u>

Interest rates on capitalized leases vary from 1.00% to 2.625%. The capital leases provide for the buses to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

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

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	3,065,615			3,065,615
Construction	20,177,576	(5,154,223)		15,023,353
Depreciable Assets:				
Buildings & Building Improvements	106,133,948	18,403,290		124,537,238
Technology Equipment	2,112,340	98,127	379	2,210,088
Vehicles	6,832,561	360,265	110,640	7,082,186
General Equipment	1,172,388	426,051	15,085	1,583,354
TOTAL AT HISTORICAL COST	139,494,428	14,133,510	126,104	153,501,834
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	35,732,967	2,937,370		38,670,337
Technology Equipment	2,014,846	48,660	379	2,063,127
Vehicles	4,426,264	450,021	110,640	4,765,645
General Equipment	944,063	65,215	11,576	997,702
TOTAL ACCUMULATED DEPRECIATION	43,118,140	3,501,266	122,595	46,496,811
GOVERNMENTAL ACTIVITIES CAPITAL NET	96,376,288	10,632,244	(3,509)	107,005,023
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	2,199	7,545		9,744
General Equipment	1,865,018	11,598		1,876,616
TOTALS AT HISTORICAL COST	1,867,217	19,143	-	1,886,360
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	412	1,383		1,795
General Equipment	1,483,181	97,835		1,581,016
TOTAL ACCUMULATED DEPRECIATION	1,483,593	99,218	-	1,582,811
PROPRIETARY ACTIVITIES CAPITAL NET	383,624	(80,075)	-	303,549
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				2,986,304
Staff Support Services				-
District Administration				21,977
School Administration				507
Plant Operation & Maintenance				43,245
Student Transportation				449,233
TOTAL				3,501,266

NOTE G – RETIREMENT PLANS

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

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

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service or 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not Available

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS.

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

Medical Insurance Plan

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 15,253,229
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>75,686,270</u>
	<u>\$ 90,939,499</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 0.250451% percent.

For the year ended June 30, 2019, the District recognized pension expense of \$2,150,258 related to CERS and \$5,484,050 related to TRS. The District also recognized revenue of \$5,484,050 for TRS support provided by the Commonwealth. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 497,518	\$ 223,275
Changes of assumptions	1,490,684	-
Net difference between projected and actual earnings on pension plan investments	709,286	892,181
Changes in proportion and differences between District contributions and proportionate share of contributions	-	500,208
District contributions subsequent to the measurement date	<u>1,048,163</u>	<u>-</u>
Total	<u>\$ 3,745,651</u>	<u>\$ 1,615,664</u>

\$1,048,163 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>Year ended June 30:</u>	
2020	989,060
2021	426,895
2022	(252,264)
2023	(81,867)
2024	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Teachers' Retirement System (TRS)

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

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

County Employees' Retirement System (CERS)

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

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

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2015.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

For TRS, the discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	19,202,236	15,253,229	11,944,653
TRS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	0	0	0

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

NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers’ Retirement System of Kentucky

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

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

Medical Insurance Plan

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

At June 30, 2019, the Meade County District reported a liability of \$10,413,000 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 .3001 percent, compared to .30085 percent at June 30, 2017.

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

District’s proportionate share of the net OPEB liability	\$ 10,413,000
State’s proportionate share of the net OPEB liability associated with the District	<u>8,974,000</u>
Total	<u>\$ 19,387,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$735,980 and revenue of \$466,058 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:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 533,340
Changes of assumptions	143,406	-
Net difference between projected and actual earnings on pension plan investments	-	42,431
Changes in proportion and differences between District contributions and proportionate share of contributions	-	30,078
District contributions subsequent to the measurement date	<u>592,991</u>	<u>-</u>
Total	<u><u>736,397</u></u>	<u><u>605,849</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$592,991 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2020	\$ (92,381)
2021	(92,381)
2022	(92,381)
2023	(73,583)
2024	(77,342)
Thereafter	(34,374)

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

NOTES TO FINANCIAL STATEMENTS (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, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
TRS	7.00%	8.00%	9.00%
District's proportionate share			
of net OPEB liability	12,210,760	10,413,000	8,915,430

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share			
of net OPEB liability	8,634,540	10,413,000	12,607,170

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

Life Insurance Plan

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

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

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

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

District's proportionate share of the net OPEB liability	-0-
State's proportionate share of the net OPEB liability associated with the District	<u>154,000</u>
Total	<u>\$ 154,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4.00-8.10%, including inflation
Inflation rate	3.5%
Real Wage Growth	0.50%
Wage Inflation	4.00%
Municipal Bond Index Rate	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

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

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

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

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

***Modeled as 50% High Yield and 50% Bank Loans.*

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

County Employees' Retirement System of Kentucky

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

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 CERS Medical Insurance. The following information is about the CERS plans:

Medical Insurance Plan

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Contributions – In order to fund the post-retirement healthcare benefit, five and twenty-six tenths percent (5.26%) of the gross annual payroll of members is contributed for the year ended June 30, 2019 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2019, the Meade County District reported a liability of \$4,446,530 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 .250441 percent, as compared to .262176 percent at June 30, 2017.

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

District’s proportionate share of the net OPEB liability	\$ 4,446,530
State’s proportionate share of the net OPEB liability associated with the District	<u>-0-</u>
Total	<u>\$ 4,446,530</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$469,688. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 518,184
Changes of assumptions	888,038	10,273
Net difference between projected and actual earnings on pension plan investments	-	306,279
Changes in proportion and differences between District contributions and proportionate share of contributions	-	192,244
District contributions subsequent to the measurement date	<u>411,642</u>	<u>-</u>
Total	<u><u>1,299,680</u></u>	<u><u>1,026,980</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$411,642 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2020	\$ (20,892)
2021	(20,892)
2022	(20,892)
2023	38,593
2024	(75,267)
Thereafter	(39,592)

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

Valuation Date	June 30, 2018
Experience Study	July 1, 2008-June 30 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pat
Remaining Amortization Period	28 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	6.25%
Projected salary increases	3.05% average
Inflation rate	2.30%
Payroll Growth Rate	4.00%
Wage Inflation	3.50%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Healthcare cost trend rates	
Under 65	Initial trend starting at 7.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 5.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.85%	5.85%	6.85%
District's proportionate share of net OPEB liability	5,775,330	4,446,530	3,314,636

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	3,310,486	4,446,530	5,785,599

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

NOTE I – CONTINGENCIES

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

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

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

NOTE L – DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit fund balance in the amount of \$1,443,646 at June 30, 2019. Additionally, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Construction Fund	13,739,603
Debt Service Fund	5,218,294

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	93,516
Operating	General	Construction	Construction	378,000
Operating	Building Fund	General	Operations	406,248
Operating	Capital Outlay	Construction	Construction	24,022
Operating	Capital Outlay	General	Operations	293,752
Operating	Capital Outlay	Debt Service	Debt Service	180,717
Operating	Building Fund	Debt Service	Debt Service	<u>5,040,786</u>
		Subtotal Governmental Funds Transferred		6,417,041
Operating	Food Service	General Fund	Indirect Costs	<u>77,353</u>
		Total Transferred Funds		<u><u>6,494,394</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Construction	General	\$378,000

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

NOTE P – SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 13, 2019. There are no material subsequent events to disclose.

NOTE Q – ON-BEHALF PAYMENT

For the year ended June 30, 2019, \$10,804,386 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$5,484,050
Teachers Retirement System (GASB 75)	466,058
Health Insurance	4,145,417
Life Insurance	7,327
Administrative Fee	60,672
HRA/Dental/Vision	350,287
Federal Reimbursement	(174,157)
Technology	109,064
SFCC Debt Service Payments	<u>355,668</u>
Total	<u>\$10,804,386</u>

NOTE R – KSBIT ASSESSMENT

As of June 30, 2013, Kentucky School Boards Insurance Trust (KSBIT) was disbanded. On January 14, 2013, school districts in Kentucky were notified that if they had been participating members in KSBIT Workers' Compensation Self-Insurance Pool or its Property and Liability Self-Insurance Pool, they would be required to pay an assessment to repay their portion of the losses incurred by KSBIT. The total assessment for all participants is expected to be between \$50 million and \$60 million. As of June 30, 2019, Meade County School District's remaining assessment is valued at \$115,744. This has been recorded as a long-term liability on the government-wide financial statements. However, the District may be given an additional assessment in the future if KSBIT incurs additional losses as a result of ongoing litigation. The District has elected to pay this assessment according to the following schedule:

<u>Year Ending June 30,</u>	<u>KSBIT Assessment Payable</u>
2020	57,872
2021	<u>57,872</u>
Total	<u>115,744</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE S – COMMITMENTS

Meade County School District is renovating Stuart Pepper Middle School. Construction for these projects is ongoing as of the audit date. It is anticipated that the completion of these projects will cost an additional \$7,901,349.

REQUIRED SUPPLEMENTARY
INFORMATION

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	8,380,000	8,380,000	8,542,098	162,098
Other Local Sources	123,000	95,000	232,139	137,139
State Sources	20,428,000	20,428,000	31,269,753	10,841,753
Federal Sources	97,781	97,781	133,513	35,732
Other Sources	80,000	108,000	969,157	861,157
TOTAL REVENUES	<u>29,108,781</u>	<u>29,108,781</u>	<u>41,146,660</u>	<u>12,037,879</u>
EXPENDITURES:				
Instructional	17,840,840	17,819,479	25,133,326	(7,313,847)
Student Support Services	2,394,577	2,394,577	2,608,622	(214,045)
Staff Support Services	1,145,697	1,145,697	1,182,202	(36,505)
District Administration	1,217,283	1,217,283	948,040	269,243
School Administration	1,890,495	1,890,495	2,280,427	(389,932)
Business Support Services	517,595	517,595	673,899	(156,304)
Plant Operation & Maintenance	4,314,064	4,314,064	4,047,050	267,014
Student Transportation	3,267,266	3,267,266	3,160,381	106,885
Food Service Operations	1,833	1,833	(826)	2,659
Facilities Acquisition & Construction	300,000	300,000	0	300,000
Principal	166,700	166,700	166,709	(9)
Interest	28,800	28,800	28,015	785
Other	71,175	71,176	471,516	(400,340)
TOTAL EXPENDITURES	<u>33,156,325</u>	<u>33,134,965</u>	<u>40,699,361</u>	<u>(7,564,396)</u>
NET CHANGE IN FUND BALANCE	(4,047,544)	(4,026,184)	447,299	4,473,483
FUND BALANCES - BEGINNING	<u>4,047,544</u>	<u>4,026,184</u>	<u>8,912,864</u>	<u>0</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>9,360,163</u></u>	<u><u>4,473,483</u></u>

On-behalf payments totaling \$10,289,462 are not budgeted by the Meade County School District.

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

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	29,810	279,281	114,241	(165,040)
State Sources	1,711,404	1,749,181	1,697,304	(51,877)
Federal Sources	2,005,795	2,000,097	2,087,447	87,350
Other Sources	71,175	93,516	93,516	0
TOTAL REVENUES	3,818,184	4,122,075	3,992,508	(129,567)
EXPENDITURES:				
Instructional	2,864,600	3,087,925	3,028,430	59,495
Student Support Services	100,694	100,694	84,188	16,506
Staff Support Services	249,481	323,493	298,518	24,975
School Administration	0	0	0	0
Plant Operation & Maintenance	154,487	154,487	120,643	33,844
Student Transportation	74,390	74,390	80,013	(5,623)
Community Service Operations	374,532	381,136	380,716	420
Other	0	0	0	0
TOTAL EXPENDITURES	3,818,184	4,122,125	3,992,508	129,617
NET CHANGE IN FUND BALANCE	0	(50)	0	50
FUND BALANCES - BEGINNING	0	50	0	0
FUND BALANCES - ENDING	0	0	0	50

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	-	-	-	-
State of Kentucky's share of the net pension liability associated with the district	<u>125,417,000</u>	<u>137,569,137</u>	<u>172,202,160</u>	<u>156,872,548</u>	<u>75,686,270</u>
TOTAL	<u><u>\$ 125,417,000</u></u>	<u><u>\$ 137,569,137</u></u>	<u><u>\$ 172,202,160</u></u>	<u><u>156,872,548</u></u>	<u><u>75,686,270</u></u>
District's covered-employee payroll	\$ 18,481,831	18,733,274	18,811,936	\$ 18,962,389	\$ 19,766,358
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of net pension liability	0.273782%	0.237376%	0.266210%	0.262176%	0.250451%
District's proportionate share of the net pension liability	\$ 11,186,481	11,754,189	13,107,188	15,345,967	15,253,229
State of Kentucky's share of the net pension liability associated with the district	\$ -	-	-	-	-
TOTAL	<u><u>11,186,481</u></u>	<u><u>11,754,189</u></u>	<u><u>13,107,188</u></u>	<u><u>15,345,967</u></u>	<u><u>15,253,229</u></u>
District's covered-employee payroll	\$ 6,405,454	6,360,511	6,400,924	6,196,956	6,462,161
District's proportionate share of the net pension liability as a percentage of its covered-payroll	174.64%	184.80%	204.77%	247.64%	236.04%
Plan fiduciary net position as a percentage of the total pension liability	66.801%	63.46%	55.50%	53.30%	53.54%

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 18,481,831	\$ 18,733,274	\$ 18,811,936	\$ 18,962,389	\$ 19,766,358
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contributions (actuarially determined)	\$ 816,695	\$ 789,975	\$ 892,929	\$ 897,319	\$ 1,048,163
Contributions in relation to the actuarially determined contributions	<u>816,695</u>	<u>789,975</u>	<u>892,929</u>	<u>897,319</u>	<u>1,048,163</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 6,405,454	\$ 6,360,511	\$ 6,400,924	\$ 6,196,956	\$ 6,462,161
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%

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

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

	<u>2018</u>	<u>2019</u>
District's proportion of net OPEB liability	0.262176%	0.250441%
District's proportionate share of the net OPEB liability	5,270,634	4,446,530
State of Kentucky's share of the net OPEB liability associated with the district	-	-
TOTAL	<u><u>5,270,634</u></u>	<u><u>4,446,530</u></u>
District's covered-employee payroll	6,196,956	6,462,161
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	85.05%	68.81%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%

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

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

	2018	2019
District's proportion of net OPEB liability	0.3085%	0.3001%
District's proportionate share of the net OPEB liability	11,002,000	10,413,000
State of Kentucky's share of the net OPEB liability associated with the district	8,987,000	8,974,000
TOTAL	19,989,000	19,387,000
District's covered-employee payroll	\$ 18,962,388	\$ 19,766,358
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	58.02%	52.68%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%

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

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

	<u>2018</u>	<u>2019</u>
District's proportion of net OPEB liability	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-
State of Kentucky's share of the net OPEB liability associated with the district	<u>120,000</u>	<u>154,000</u>
TOTAL	<u><u>120,000</u></u>	<u><u>154,000</u></u>
District's covered-employee payroll	\$ 18,962,388	\$ 19,766,358
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%

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

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

	2018	2019
Contractually required contributions (actuarially determined)	\$ 291,257	\$ 339,910
Contributions in relation to the actuarially determined contributions	291,257	339,910
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 6,196,956	\$ 6,462,161
Contributions as a percentage of Covered employee payroll	4.70%	5.26%

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

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

	2018	2019
Contractually required contributions (actuarially determined)	\$ 534,636	\$ 592,991
Contributions in relation to the actuarially determined contributions	534,636	592,991
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 17,821,189	\$ 19,766,358
Contributions as a percentage of Covered employee payroll	3.00%	3.00%

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

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

	2018	2019
Contractually required contributions (actuarially determined)	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 18,962,389	\$ 19,766,358
Contributions as a percentage of Covered employee payroll	0.00%	0.00%

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

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

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

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

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

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

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

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

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

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

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

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

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

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

Payroll growth assumption was reduced from 4.5% to 4%

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

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

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

2016

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

2017

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

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

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

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

2018

There were no changes in assumptions.

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

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

The actuarially determined contribution rates in the schedule of contribution are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2016. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary Increase	4.0 percent, average
Investment Rate of Return	7.5 percent, net of pension plan investment expense, including inflation

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS pension.

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

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

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

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

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	23 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.5% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

NOTE C – CHANGES OF BENEFITS

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

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

NOTE A – CHANGES OF ASSUMPTIONS

2017

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

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

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

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

2018

There were no changes in assumptions.

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

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

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary Increase	4.0 percent, average
Investment Rate of Return	7.5 %
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS OPEB.

OTHER SUPPLEMENTARY
INFORMATION

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

	<u>CAPITAL OUTLAY FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENT FUNDS</u>
ASSETS:			
Cash & Cash Equivalents	<u>121,397</u>	<u>3,209</u>	<u>124,606</u>
TOTAL ASSETS	<u><u>121,397</u></u>	<u><u>3,209</u></u>	<u><u>124,606</u></u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable			<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:			
Restricted for:			
Debt Service		3,209	3,209
SFCC Escrow	<u>121,397</u>		<u>121,397</u>
Total Fund Balances	<u><u>121,397</u></u>	<u><u>3,209</u></u>	<u><u>124,606</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>121,397</u></u>	<u><u>3,209</u></u>	<u><u>124,606</u></u>

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

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

	<u>CAPITAL OUTLAY FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENT FUNDS</u>
REVENUES:			
Earnings on Investments		5,416	5,416
Intergovernmental - State	445,314	355,668	800,982
TOTAL REVENUES	<u>445,314</u>	<u>361,084</u>	<u>806,398</u>
Debt Service:			
Principal		3,260,000	3,260,000
Interest		2,319,378	2,319,378
TOTAL EXPENDITURES	<u>0</u>	<u>5,579,378</u>	<u>5,579,378</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	445,314	(5,218,294)	(4,772,980)
OTHER FINANCING SOURCES(USES):			
Operating Transfers In		5,221,503	5,221,503
Operating Transfers Out	(498,491)		(498,491)
TOTAL OTHER FINANCING SOURCES(USES)	<u>(498,491)</u>	<u>5,221,503</u>	<u>4,723,012</u>
NET CHANGE IN FUND BALANCES	<u>(53,177)</u>	<u>3,209</u>	<u>(49,968)</u>
FUND BALANCES - BEGINNING	<u>174,574</u>	<u>0</u>	<u>174,574</u>
FUND BALANCES - ENDING	<u><u>121,397</u></u>	<u><u>3,209</u></u>	<u><u>124,606</u></u>

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

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

	FUND BALANCE JULY 1, 2018	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2019
Meade County High School	154,493	597,645	572,680	179,458
Brandenburg Primary	12,842	23,144	17,673	18,313
David T. Wilson Elementary	2,177	39,043	33,647	7,573
Ekron Elementary	27,987	24,050	25,447	26,590
Flaherty Elementary	12,140	12,554	14,369	10,325
Flaherty Primary	20,080	17,382	16,367	21,095
Payneville Elementary	1,557	5,773	5,376	1,954
Stuart Pepper Middle	20,982	55,477	63,313	13,146
Total Activity Funds (Due to Student Groups)	<u>252,258</u>	<u>775,068</u>	<u>748,872</u>	<u>278,454</u>

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

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

	CASH			CASH	ACCOUNTS	ACCOUNTS	FUND
	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE	RECEIVABLE	PAYABLE	BALANCE
	<u>JULY 1, 2018</u>			<u>JUNE 30, 2019</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2019</u>
Athletic	0	120,161	119,224	937	0	0	937
Boys Basketball	5,663	9,300	8,983	5,980	0	0	5,980
Cheerleaders	1,656	2,052	1,537	2,171	0	0	2,171
Football	9,970	13,439	13,923	9,486	0	0	9,486
Youth Football	6,137	25,138	28,405	2,870	0	0	2,870
Wrestling	110	1,716	1,826	0	0	0	0
Girls Basketball	147	1,606	1,753	0	0	0	0
Boys Golf	2,499	5,055	5,525	2,029	0	0	2,029
Boys Soccer	2,514	4,660	6,225	949	0	0	949
Softball	1,755	7,585	6,644	2,696	0	0	2,696
Boys Tennis	0	1,215	1,215	0	0	0	0
Volleyball	676	2,060	2,736	0	0	0	0
Cross Country	352	7,674	8,026	0	0	0	0
Swim	6,761	6,572	10,628	2,705	0	0	2,705
Baseball	208	8,832	8,307	733	0	0	733
Girls Golf	3,443	1,015	2,396	2,062	0	0	2,062
Girls Tennis	104	2,945	1,069	1,980	0	0	1,980
Girls Soccer	2,704	2,718	5,422	0	0	0	0
Track	361	368	729	0	0	0	0
Cross Country Boos	1,770	2,067	3,049	788	0	0	788
Bowling	1,015	1,085	1,679	421	0	0	421
General	7,524	6,045	1,393	12,176	0	0	12,176
Machine Fund	2,869	535	573	2,831	0	0	2,831
Parking	2,302	4,030	6,095	237	0	0	237
Textbook Rental	0	68,106	66,931	1,175	0	0	1,175
Machine Fund - Staff	2,479	2,020	2,170	2,329	0	0	2,329
Background Checks	0	520	520	0	0	0	0
Incentive Trips	0	10,318	10,318	0	0	0	0
Drama	11,772	3,729	3,313	12,188	0	0	12,188
FCA	0	327	253	74	0	0	74
FBLA	3,988	15,369	19,357	0	0	0	0
FFA	1,772	46,155	42,865	5,062	0	0	5,062
FCCLA	5,090	13,241	13,225	5,106	0	0	5,106
National Honors Society	4,049	2,805	2,007	4,847	0	0	4,847
Pep Club	364	1,110	1,079	395	0	0	395
GSA	28	204	133	99	0	0	99
Rodeo	21	0	0	21	0	0	21
SADD	1,128	2,088	1,916	1,300	0	0	1,300
SADD 2	1,510	0	0	1,510	0	0	1,510
Science Club	522	526	727	321	0	0	321

Foreign Language	65	704	594	175	0	0	175
TRI-M	126	1,173	1,044	255	0	0	255
Technology Club	0	4,899	4,397	502	0	0	502
FEA	12	182	125	69	0	0	69
Counselors	2,098	1,035	261	2,872	0	0	2,872
Family & Consumer SC	272	3,955	1,993	2,234	0	0	2,234
Library	247	159	63	343	0	0	343
Mathematics	58	0	0	58	0	0	58
Technology Education	22	0	0	22	0	0	22
Bookstore	87	100	102	85	0	0	85
English	0	0	0	0	0	0	0
Art	0	70	0	70	0	0	70
Teen Court	58	312	336	34	0	0	34
STLP	98	24	50	72	0	0	72
Book Club	11	138	113	36	0	0	36
Chess Club	3	407	281	129	0	0	129
Trap Shooting	0	750	637	113	0	0	113
Band	1,525	30,352	29,843	2,034	0	0	2,034
Chorus	1,020	38,235	37,384	1,871	0	0	1,871
Dance	147	10,322	5,476	4,993	0	0	4,993
Intramural	1,457	704	700	1,461	0	0	1,461
Student Government	8,115	14,643	7,165	15,593	0	0	15,593
Prom	5,409	19,803	20,545	4,667	0	0	4,667
Newspaper	2,538	916	235	3,219	0	0	3,219
Yearbook	10,514	12,209	989	21,734	0	0	21,734
Tidal Wave Bank	889	774	1,135	528	0	0	528
Greenhouse	645	1,659	0	2,304	0	0	2,304
Custom Creation	159	0	0	159	0	0	159
Splash Publishing	1,973	3,335	4,505	803	0	0	803
Y-Club	626	30,080	26,250	4,456	0	0	4,456
JCC	406	180	310	276	0	0	276
FMD	865	2,148	2,900	113	0	0	113
SSS	63	0	0	63	0	0	63
Fine Arts	493	0	0	493	0	0	493
Wellness Program	266	0	0	266	0	0	266
Family Resources	4,904	880	1,431	4,353	0	0	4,353
School Nurse	6,027	5,250	1,959	9,318	0	0	9,318
Special Olympics	9,772	5,778	7,864	7,686	0	0	7,686
Dual Credit	260	0	0	260	0	0	260
iPads	0	13,800	13,539	261	0	0	261
Total All Funds	<u>154,493</u>	<u>609,367</u>	<u>584,402</u>	<u>179,458</u>	<u>0</u>	<u>0</u>	<u>179,458</u>
Interfund Transfers		(11,722)	(11,722)				0
Total	<u><u>154,493</u></u>	<u><u>597,645</u></u>	<u><u>572,680</u></u>	<u><u>179,458</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>179,458</u></u>

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

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>MUNIS PROJECT NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Grants to Local Educational Agencies	84.010	3100002	310D	174,326
Title I - Parent Involvement	84.010	3100002	310DM	297
Title I - Grants to Local Educational Agencies	84.010	3100002	310E	681,580
Title I - Parent Involvement	84.010	3100002	310EM	6,456
Title I Grants to Local Educational Agencies Total				862,659 *
Supporting Effective Instruction State Grants	84.367	3230002	401D	2,613
Supporting Effective Instruction State Grants	84.367	3230002	401E	94,000
Title II - Part A Total				96,613
Perkins Voc.	84.048	3710006	348DA	745
Perkins Voc.	84.048	3710002	348E	19,199
Perkins Voc. - Total				19,944
Title III - English Language Acquisition State Grants	84.365	3960002	345D	33
Title III - English Language Acquisition State Grants	84.365	3960002	345E	262
Title III Total				295
Title IV, Part A-Student Support and Academic Enrichment	84.424	342002	552D	7,258
Title IV, Part A-Student Support and Academic Enrichment	84.424	342002	552E	53,993
Title IV Total				61,251
IDEA - Special Education - Grants to State	84.027	3810002	337CP	15,831
IDEA - Special Education - Grants to State	84.027	3810002	337DP	445
IDEA - Special Education - Grants to State	84.027	3810002	337D	34,139
IDEA - Special Education - Grants to State	84.027	3810002	337E	947,573
IDEA - Special Education - Preschool Grants	84.173	3800002	343D	7,767
IDEA - Special Education - Preschool Grants	84.173	3800002	343E	40,997
Special Education Cluster				1,046,752
Total U.S. Department of Education				2,087,514
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
Summer Meal Program	10.559	7690024-18	7690024-18	2,741
Summer Meal Program	10.559	7690024-19	7690024-19	162
Summer Meal Program	10.559	7740023-18	7740023-18	26,121
Summer Meal Program	10.559	7740023-19	7740023-19	1,548
National School Lunchroom	10.555	7750002-18	7750002-18	369,271
National School Lunchroom	10.555	7750002-19	7750002-19	1,319,619
School Breakfast Program	10.553	7760005-18	7760005-18	189,279
School Breakfast Program	10.553	7760005-19	7760005-19	668,047
Child Nutrition Cluster				2,576,788 *
Pass-Through State Department of Agriculture				
Food Distribution	10.565	057502-10	057502-10	174,138
Total U.S. Department of Agriculture				2,750,926
Total Federal Financial Assistance				4,838,440

* Tested as major program

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – DE MINIMIS COST RATE

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

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

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

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.559/10.555/10.553 84.010	Child Nutrition Cluster Title I – Grants to Local Education Agencies

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

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

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

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

There were no prior year audit findings.

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
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Lebanon, Kentucky 40033
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October 13, 2019

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

Members of the Board of Education
Meade County School District
Brandenburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Meade County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Meade County School District's basic financial statements, and have issued our report thereon dated October 13, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Meade County School District in a separate letter dated October 13, 2019.

Purpose of this Report

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

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
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Lebanon, Kentucky 40033
(270) 692-2102
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Charles M. White, CPA
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October 13, 2019

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

Members of the Board of Education
Meade County School District
Brandenburg, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Meade County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Meade County School District's basic financial statements. We issued our report thereon dated October 13, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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October 13, 2019

MANAGEMENT LETTER

Members of the Board of Education
Meade County School District
Brandenburg, Kentucky

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

Prior Year District Recommendation:

2018-01 Prior Year Recommendation:

The school food service fund sustained a loss for the year ended June 30, 2018. The loss was due to the implementation of GASBS No. 75 and the current year pension adjustment required for GASBS No. 68. Prior to adjustment for those standards, the School Food Service fund showed a profit of \$111,195. Thus, operational profit in control of management was well managed for the year ended June 30, 2018.

Current Year Status and Recommendations:

The school food service fund sustained a loss for the year ended June 30, 2019. It is noted that there was as loss prior to any OPEB or pension adjustments. We recommend District management continue to monitor the school food service program's profit or loss during the year and consider whether to make the indirect cost transfer in years where the program is sustaining a loss.

2018-02 Prior Year Recommendation:

During the prior year audit, one instance was noted where maintenance expenditures incurred exceeded the applicable blanket purchase order for the month for the maintenance department; no additional action was taken. We recommend that once a purchase order limit is exceeded, an additional purchase order be completed for the estimated additional disbursements for the remainder of the month. This additional purchase order should be properly completed and approved prior to expenditures being incurred by the maintenance department.

Current Year Status and Recommendation:

No such instances were found during current year testing.

2018-03 Prior Year Recommendation:

During the prior year audit, it was noted that when dealing with a particular sewer issue, treatment chemicals inquired about were sent and accepted without being ordered or approved beforehand. The chemicals were ultimately used; however, the expenditure was never requested or approved. We recommend that items received in error should be returned to the vendor.

Current Year Status and Recommendation:

No such instances were found during current year testing.

Prior Year Recommendations – School Activity Funds:

2018-01 Prior Year Recommendation:

During the prior year audit, it was noted that there were multiple instances at Meade County High School where the multiple receipt forms were not signed by the student. The teacher or club sponsor filled the form in with the students' names. Redbook requires that all students 3rd grade and above sign the multiple receipt form when turning in funds. We recommend that teachers and club sponsors be made aware of the requirement that students 3rd grade and above sign the multiple receipt form.

Current Year Status and Recommendations:

During the current year audit, it was noted that there were two instances at Meade County High School, one instance at Stuart Pepper Middle School, and one instance at Flaherty Elementary School where the multiple receipt forms were not signed by the student. The teacher or club sponsor filled the form in with the students' names. For fiscal year 2019, Redbook required that all students 3rd grade and above sign the multiple receipt form when turning in funds. We recommend that teachers and club sponsors be made aware of the new fiscal year 2020 requirement that students 6th grade and above sign the multiple receipt form.

Management Response:

We will stress to all administration, teachers, and club sponsors at the schools that any time funds are collected from students 6th grade and above, the students are to sign the multiple receipt form in compliance with Redbook policy.

2018-02 Prior Year Recommendation:

During the prior year audit, one instance was noted at Flaherty Primary School where a multiple receipt form was not used when remitting money from students. We recommend that a multiple receipt form always be used when remitting money from individual students in accordance with Redbook policies and procedures.

Current Year Status and Recommendations:

No such instances were found during the current year testing.

2018-03 Prior Year Recommendation:

During the year, one instance was found at Meade County High School where a fundraiser was performed without utilizing a fundraiser approval testing form or a fundraiser worksheet. We recommend that when administering a fundraiser, both forms are properly completed, including required approvals, in accordance with Redbook policies and procedures.

Current Year Status and Recommendations:

During current year, two instances were found at Meade County High School where a fundraiser was performed without utilizing a fundraiser approval form or a fundraiser worksheet. We recommend that when administering a fundraiser, both forms are properly completed, including required approvals, in accordance with Redbook policies and procedures.

Management Response:

We will use the appropriate fundraiser forms and fundraiser worksheets in accordance with Redbook policies and procedures.

Current Year District Recommendations:

2019-01 Current Year Recommendation:

During the current year audit, it was noted that an individual switched from an Instructional Assistant position to a Cafeteria Worker early in the fiscal year and was paid 100% from School Food Service funds. Upon further examination, it is deemed that \$2,517 of the employee's wages were misallocated to School Food Service during the year. We recommend that when an employee transfers departments, the pay allocation be reviewed for propriety.

Management Response:

Employee pay allocations will be monitored more closely to ensure that misallocation between funds does not occur moving forward.

Current Year Recommendations – School Activity Funds:

2019-02 Current Year Recommendation:

During the current year audit, there were multiple instances at Meade County High School, one instance at David T. Wilson Elementary, one instance at Ekron Elementary, and one instance at Stuart Pepper Middle School where an order was placed prior to a purchase order being approved. We recommend that the requirement for a purchase order prior to a purchase be stressed to all school employees.

Management Response:

We will stress to all staff of the requirement for the issuance of an approved purchase order prior to any purchase.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to perform any additional study of this matter or to assist you in implementing the recommendations.

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

Sincerely,

White and Company, P.S.C.

Certified Public Accountant

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October 13, 2019

Members of the Board of Education
Meade County School District
Brandenburg, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Meade County School District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters:

Qualitative Aspects of Accounting Practices

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 13, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 55 and 56, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 57-58 and 61-63, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 59-60 and 64-66, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Sincerely,

White and Company, P.S.C.

Certified Public Accountants