

Montgomery County School District

**Audited Financial Statements
and Required Supplementary Information**

June 30, 2019

**MONTGOMERY COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2019**

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net position	13
Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Special Revenue Fund	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to Basic Financial Statements	23-66

**MONTGOMERY COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
JUNE 30, 2019**

	<u>Page</u>
Required Supplementary Information:	
Schedule of District's Proportionate Share of Net Pension Liability	67
Schedule of District Contributions - Pension	68
Notes to Required Supplementary Information - Pension	69
Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan	70
Schedule of District Contributions – Medical Insurance Plan	71
Notes to Required Supplementary Information – Medical Insurance Plan	72
Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan	73
Schedule of District Contributions – Life Insurance Plan	74
Notes to Required Supplementary Information – Life Insurance Plan	75
Supplemental Schedules:	
Combining Balance Sheet – Non-major Governmental Funds	76
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Non-major Governmental Funds	77
Combining Statement of Receipts, Disbursements and Fund Balances – School Activity Funds	78
Statement of Receipts, Disbursements and Fund Balances – Montgomery County High School Activity Funds	79
Schedule of Expenditures of Federal Awards by Grant	80-81
Notes to Schedule of Expenditures of Federal Awards	82
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 <i>Government Auditing Standards</i>	83-84
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	85-86
Schedule of Findings and Questioned Costs	87-88
Schedule of Prior Year Audit Findings	89
Management Letter Comments	90-93

SUMMERS, MCCRARY & SPARKS, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

To the Kentucky State Committee of School District Audits
Members of the Board of Education
Montgomery County School District
Mt. Sterling, KY 40353

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery County School District as of June 30, 2019, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund 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, Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District Contributions – Pension, Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan, Schedule of District Contributions – Medical Insurance Plan, Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan, and Schedule of District Contributions – Life Insurance Plan on pages 3-9 and 67-75 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 Montgomery County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditure 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2019, on our consideration of Montgomery 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Summers, McCrary & Sparks, PSC

Lexington, KY
November 12, 2019

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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

FINANCIAL HIGHLIGHTS/OVERALL DISTRICT HIGHLIGHTS

- The beginning General Fund balance for the District was \$4,706,978. With an increase of \$415,401, the ending balance for FY2019 was \$5,122,379.
- Average Daily Attendance (ADA), is used to calculate base SEEK funding. Our Prior Year ADA was 4,198.923 for funding year 2017-18. Our funding ADA was 4,129.626 for 2017-18.
- Due to this decrease of 69.297 AADA our SEEK funding decreased \$432,792.
- The Guaranteed SEEK base was maintained at \$4,000 per pupil.
- Please note that kindergarten still receives a 50% ADA reduction for the SEEK calculation (funded at the ½ day level). Also, per the SEEK formula, transportation is only funded at nearly 60%.
- CERS Employer Contribution Rate increased from 19.18% for the 2017-18 year to 21.68% for the 2018-18 fiscal year.
- Decreasing Preschool Programming from full day to half day.
- The Board adopted a 4% increase to property tax rate in 2018.
- The renovation of McNabb Middle School is near completion.
- Major acquisition/sale of property
 - Sale of "The Early Learning Center" – Maysville Rd.
 - Acquisition of "Wilmont Property" – Wilmont Drive near Bus Garage
 - Acquisition of "Clay Center Property" – 3400 Indian Mound Drive

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities).

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds.

Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12-22 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 23-66 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 plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$10,146,249 as of June 30, 2019 as compared to \$9,270,352 in the prior year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

The breakdown of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position can be seen on page 10 in the statement of net position, Governmental Wide Basis.

Net position for the years ending June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current Assets	\$ 11,553,708	\$ 10,806,654	\$ 747,054
Noncurrent Assets	<u>73,924,156</u>	<u>75,165,601</u>	<u>(1,241,445)</u>
Total Assets	<u>85,477,864</u>	<u>85,972,255</u>	<u>(494,391)</u>
 Deferred Outflows of Resources	 <u>5,754,608</u>	 <u>6,891,623</u>	 <u>(1,137,015)</u>
Current Liabilities	3,830,795	4,064,330	(233,535)
Noncurrent Liabilities	<u>73,804,693</u>	<u>77,729,828</u>	<u>(3,925,135)</u>
Total Liabilities	<u>77,635,488</u>	<u>81,794,158</u>	<u>(4,158,670)</u>
 Deferred Inflows of Resources	 <u>3,450,735</u>	 <u>1,799,368</u>	 <u>1,651,367</u>
 Net Position			
Investment in capital assets (net)	27,119,243	25,953,938	1,165,305
Restricted	5,277,142	5,111,309	165,833
Unrestricted	<u>(22,250,136)</u>	<u>(21,794,895)</u>	<u>(455,241)</u>
Total Net Position	<u>\$ 10,146,249</u>	<u>\$ 9,270,352</u>	<u>\$ 875,897</u>

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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

	Summary of Revenue and Expenditures					
	Governmental		Business-type		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Local revenue sources	\$10,542,497	\$10,568,562	\$661,198	\$751,949	\$11,203,695	\$11,320,511
State revenue sources	38,412,535	41,446,923	644,383	349,489	39,056,918	41,796,412
Federal revenue sources	4,443,145	4,986,174	2,694,063	2,591,689	7,137,208	7,577,863
Tuition	21,627	27,535	0	0	21,627	27,535
Gain/(Loss) on sale of assets	142,003	11,225	(6,365)	(209)	135,638	11,016
Investments	400,394	294,680	9,776	8,670	410,170	303,350
Total Revenue	53,962,201	57,335,099	4,003,055	3,701,588	57,965,256	61,036,687
Expenses:						
Instruction	30,292,798	34,519,935	0	0	30,292,798	34,519,935
Student support services	4,152,534	4,339,884	0	0	4,152,534	4,339,884
Instructional support	2,649,287	3,231,208	0	0	2,649,287	3,231,208
District administration	1,271,977	1,189,412	0	0	1,271,977	1,189,412
School administration	2,209,895	2,496,963	0	0	2,209,895	2,496,963
Business support	1,838,800	1,860,388	0	0	1,838,800	1,860,388
Plant operations	4,588,594	3,846,438	0	0	4,588,594	3,846,438
Student transportation	3,569,074	3,143,585	0	0	3,569,074	3,143,585
Community service	417,253	362,156	0	0	417,253	362,156
Interest on long-term debt	1,771,545	2,347,884	0	0	1,771,545	2,347,884
Day care	0	0	782,731	561,718	782,731	561,718
Food service	0	0	3,544,871	3,486,777	3,544,871	3,486,777
Total Expenses	52,761,757	57,337,853	4,327,602	4,048,495	57,089,359	61,386,348
Transfers	109,463	133,875	(109,463)	(133,875)	0	0
Change in net position	1,309,907	131,121	(434,010)	(480,782)	875,897	(349,661)
Beginning net position	9,676,880	23,751,687	(406,528)	583,108	9,270,352	24,334,795
Effect of adoption of GASB 75	0	(14,205,928)	0	(508,854)	0	(14,714,782)
Beginning net position restated	9,676,880	9,545,759	(406,528)	74,254	9,270,352	9,620,013
Ending net position	\$10,986,787	\$9,676,880	(\$840,538)	(\$406,528)	\$10,146,249	\$9,270,352

Governmental Activities

Instruction comprises 57% of governmental program expenses. Plant Operations expense makes up 9% of government expenses. District and School Administration total 6% of governmental expenses. The remaining expenses for support services, community service activities, transportation and interest account for the final 28% of total governmental expense.

Business-Type Activities

The business-type activities include the food service and day care operations. These programs had total revenues of \$4,003,055 and expenses of \$4,327,602 for fiscal year 2019. Of the revenues, \$661,198 was charges for services, and \$3,338,446 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.

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons

General fund budget compared to actual revenue varied from line item to line item with the ending actual revenues being \$10,795,848 more than budget. General fund budget compared to actual expenditures varied from line item to line item with the ending actual expenditures being \$9,312,157 less than budget. The District's total general fund revenues for the fiscal year ended June 30, 2019, before interfund transfers, was \$38,308,148, a decrease of \$1,211,984 from the total revenues of \$39,520,132 for 2018.

The following table presents a summary of revenue and expense, excluding transfers, for selected funds (including on-behalf payments). Food service and day care amounts are presented on the accrual basis while general and special revenue funds are on the modified accrual basis:

For the Year ending June 30, 2019

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>FOOD SERVICE FUND</u>	<u>DAY CARE FUND</u>
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 4,839,615	\$ 0	\$ 0	\$ 0
Motor vehicle	895,091	0	0	0
Utilities	1,735,172	0	0	0
Earnings on investments	230,931	1,205	9,776	0
Tuition & fees	21,627	0	0	0
Other local revenues	257,529	68,328	0	0
Intergovernmental - state	30,111,389	1,981,528	397,811	246,572
Intergovernmental - federal	216,794	3,556,322	2,687,424	6,639
Gain/(Loss) on asset disposal	0	0	(6,365)	0
Lunchroom sales	0	0	299,236	0
Day care revenue	0	0	0	361,962
TOTAL REVENUES	\$ 38,308,148	\$ 5,607,383	\$ 3,387,882	\$ 615,173
EXPENDITURES:				
Instruction:	\$ 20,900,559	\$ 3,999,702	\$ 0	\$ 0
Support Services:				
Student	3,478,726	232,902	0	0
Instructional staff	1,470,000	788,488	0	0
District administration	1,162,667	0	0	0
School administration	1,929,120	0	0	0
Business	1,636,334	6,201	0	0
Plant operations and maintenance	4,187,526	2,783	0	0
Student transportation	2,696,304	121,088	0	0
Food Service	0	0	3,544,871	0
Day care service	0	0	0	782,731
Community Service	4,391	353,723	0	0
Capital outlay	455,359	0	0	0
Debt service	423,771	0	0	0
TOTAL EXPENDITURES	\$ 38,344,757	\$ 5,504,887	\$ 3,544,871	\$ 782,731
Excess (Deficit) of Revenues over Expenditures	\$ (36,609)	\$ 102,496	\$ (156,989)	\$ (167,558)

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

For the Year ending June 30, 2018

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>FOOD SERVICE FUND</u>	<u>DAY CARE FUND</u>
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 4,652,387	\$ 0	\$ 0	\$ 0
Motor vehicle	857,080	0	0	0
Utilities	1,807,113	0	0	0
Earnings on investments	151,218	944	8,670	0
Tuition & fees	27,535	0	0	0
Other local revenues	281,118	174,020	0	0
Intergovernmental - state	31,478,725	1,535,856	230,747	118,742
Intergovernmental - federal	264,956	3,546,051	2,585,038	6,651
Gain/(Loss) on asset disposal	0	0	(209)	0
Lunchroom sales	0	0	348,082	0
Day care revenue	0	0	0	403,867
TOTAL REVENUES	\$ 39,520,132	\$ 5,256,871	\$ 3,172,328	\$ 529,260
EXPENDITURES:				
Instruction:	\$ 23,195,824	\$ 3,806,229	\$ 0	\$ 0
Support Services:				
Student	3,346,265	274,168	0	0
Instructional staff	1,624,030	846,973	0	0
District administration	1,229,839	1,795	0	0
School administration	2,002,874	0	0	0
Business	1,548,539	32,969	0	0
Plant operations and maintenance	3,337,652	17,008	0	0
Student transportation	2,262,440	20,478	0	0
Food Service	0	0	3,486,777	0
Day care service	0	0	0	561,718
Community Service	42,786	313,274	0	0
Capital outlay	842,063	0	0	0
Debt service	464,998	0	0	0
TOTAL EXPENDITURES	\$ 39,897,310	\$ 5,312,894	\$ 3,486,777	\$ 561,718
Excess (Deficit) of Revenues over Expenditures	<u>\$ (377,178)</u>	<u>\$ (56,023)</u>	<u>\$ (314,449)</u>	<u>\$ (32,458)</u>

Debt

At June 30, 2019, the School District had \$46,934,041 in bond and capital lease debt outstanding; of this amount \$552,569 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$2,911,744 is due within one year.

Capital Assets

The Board added \$1,614,043 in new assets during the year, primarily for the acquisition and renovation of the new board of education office and purchase of new school buses.

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 through June 30; other programs, i.e. some federal, operate on a different fiscal calendar but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. Significant board actions that impacted finances include; sale of Early Learning Center, Acquisition of Wilmont & Clay Center properties, Section 7 allocations, funding all-day Kindergarten, funding all athletic and a good portion of extracurricular trips, expenditures for an alternative school setting and staffing to site schools as part of KECSAC program. They board extended the Chromebook lease costing the district \$110,000 over three years. Through the staffing programming and other reductions, the District did decrease expenses for the fiscal year 2018-19 budget in an attempt to correct the overspending pattern that has been in place the last several years. For the 2018-19 fiscal year the Board did adopt the 4% property tax revenue increase. Also for the 2018-19 school year in order to balance the budget the Board voted to change our Preschool program from full day to half day. The state has cut flexing focus funding by granting zero funds for PD and Instructional Resources for 2018-19.

The CERS retirement employer rate will increase to 21.48% beginning July 1, 2019, the rate will increase over the next 5 years as mandated by State law. The 2018-19 CERS contribution rate was 21.68%. The KTRS retirement employer contribution to the retiree medical insurance fund is 3.00% and federally funded employees 16.105% as mandated. Federal Programs Health Insurance/Life Insurance reimbursements to the State of Kentucky are included in the District's budget. For the upcoming FY18-19 school year, the district remains committed to maintaining the 187 day contracts for certified teachers.

Management and the Board will review the operating budget and seek areas to reduce costs while maintaining a quality education. We will also aggressively pursue new grant funding and local community support. The support and fundraising efforts of the Montgomery School District, Alumni, and Community Leaders positively impact the educational accomplishments of this district. The Board and management believe these actions will establish an adequate cash reserve in fiscal year 2019 and future years. The District continues to receive positive feedback from the community, faculty, staff, parents and students regarding the leadership initiatives of the current Superintendent, Dr. Matthew Thompson.

Questions regarding this report should be directed to Angela Rhodes, Director of Finance, (859) 497-8760 ext. 6003, email: angela.rhodes@montgomery.kyschools.us , or by mail at the Montgomery County Schools, 3400 Indian Mound Drive Mt. Sterling, KY 40353.

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

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 10,012,872	\$ 661,574	\$ 10,674,446
Accounts receivable			
Taxes	262,506	-	262,506
Accounts	28,577	26,924	55,501
Intergovernmental - Federal	527,699	-	527,699
Inventory	-	33,556	33,556
Total Current Assets	<u>10,831,654</u>	<u>722,054</u>	<u>11,553,708</u>
Noncurrent Assets			
Non-depreciated capital assets	20,293,164	-	20,293,164
Net depreciated capital assets	52,582,509	1,048,483	53,630,992
Total Noncurrent Assets	<u>72,875,673</u>	<u>1,048,483</u>	<u>73,924,156</u>
TOTAL ASSETS	<u>83,707,327</u>	<u>1,770,537</u>	<u>85,477,864</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension	3,105,934	377,202	3,483,136
OPEB	1,638,399	167,326	1,805,725
Deferred Gain/Loss on Bond Refinance	465,747	-	465,747
Total deferred outflow of resources	<u>5,210,080</u>	<u>544,528</u>	<u>5,754,608</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	37,046	307	37,353
Current portion of bond obligations	2,520,000	-	2,520,000
Current portion of accrued sick leave	118,594	-	118,594
Accrued interest payable	325,086	-	325,086
Unearned revenues	362,240	-	362,240
Current Portion of Capital Leases	391,744	-	391,744
Current portion of KSBIT payable	75,778	-	75,778
Total Current Liabilities	<u>3,830,488</u>	<u>307</u>	<u>3,830,795</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	42,752,619	-	42,752,619
KSBIT Payable	75,778	-	75,778
Net pension liability	12,040,111	2,257,124	14,297,235
Net OPEB liability	14,130,855	610,995	14,741,850
Noncurrent portion Capital Leases	1,606,297	-	1,606,297
Noncurrent portion of accrued sick leave	330,914	-	330,914
Total Noncurrent Liabilities	<u>70,936,574</u>	<u>2,868,119</u>	<u>73,804,693</u>
TOTAL LIABILITIES	<u>74,767,062</u>	<u>2,868,426</u>	<u>77,635,488</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	950,839	161,091	1,111,930
OPEB	2,212,719	126,086	2,338,805
Total deferred inflow of resources	<u>3,163,558</u>	<u>287,177</u>	<u>3,450,735</u>
NET POSITION			
Net Investment in Capital Assets	26,070,760	1,048,483	27,119,243
Restricted			
Debt Service	4,899,635	-	4,899,635
Capital projects (expendable)	319,075	-	319,075
Other purposes	58,432	-	58,432
Unrestricted	<u>(20,361,115)</u>	<u>(1,889,021)</u>	<u>(22,250,136)</u>
TOTAL NET POSITION	<u>\$ 10,986,787</u>	<u>\$ (840,538)</u>	<u>\$ 10,146,249</u>

See Accompanying Notes to the Financial Statements

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

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 30,292,798	\$ 21,627	\$ 13,121,734	\$ -	\$ (17,149,437)	\$ -	\$ (17,149,437)
Support Services:							
Student	4,152,534	-	1,798,726	-	(2,353,808)	-	(2,353,808)
Instructional staff	2,649,287	-	1,147,574	-	(1,501,713)	-	(1,501,713)
District administration	1,271,977	-	550,974	-	(721,003)	-	(721,003)
School administration	2,209,895	-	957,246	-	(1,252,649)	-	(1,252,649)
Business	1,838,800	-	796,501	-	(1,042,299)	-	(1,042,299)
Plant operations and maintainance	4,588,594	-	1,987,612	-	(2,600,982)	-	(2,600,982)
Student transportation	3,569,074	-	1,545,993	-	(2,023,081)	-	(2,023,081)
Community services	417,253	-	180,739	-	(236,514)	-	(236,514)
Interest on long-term debt	1,771,545	-	-	776,428	(995,117)	-	(995,117)
Total Governmental Activities	<u>52,761,757</u>	<u>21,627</u>	<u>22,087,099</u>	<u>776,428</u>	<u>(29,876,603)</u>	<u>-</u>	<u>(29,876,603)</u>
Business Type Activities:							
Food Service	3,544,871	299,236	3,085,235	-	-	(160,400)	(160,400)
Child Care	782,731	361,962	253,211	-	-	(167,558)	(167,558)
Total Business Type Activities	<u>4,327,602</u>	<u>661,198</u>	<u>3,338,446</u>	<u>-</u>	<u>-</u>	<u>(327,958)</u>	<u>(327,958)</u>
Total Primary Government	<u>\$ 57,089,359</u>	<u>\$ 682,825</u>	<u>\$ 25,425,545</u>	<u>\$ 776,428</u>	<u>\$ (29,876,603)</u>	<u>\$ (327,958)</u>	<u>\$ (30,204,561)</u>
			General Revenues:				
			Taxes:				
			Property	\$ 7,235,652	\$ -	\$ 7,235,652	
			Motor vehicle	895,091	-	895,091	
			Utilities	1,735,172	-	1,735,172	
			State and formula grants	19,863,772	-	19,863,772	
			Interest and investment earnings	400,394	9,776	410,170	
			Other Local revenues	804,963	-	804,963	
			Gain/(loss) on sale of assets	142,003	(6,365)	135,638	
			Transfers	109,463	(109,463)	-	
			Total General Revenues and Transfers	<u>31,186,510</u>	<u>(106,052)</u>	<u>31,080,458</u>	
			Change in Net Position	1,309,907	(434,010)	875,897	
			Net Position - beginning of year	<u>9,676,880</u>	<u>(406,528)</u>	<u>9,270,352</u>	
			Net Position - end of yea	<u>\$ 10,986,787</u>	<u>\$ (840,538)</u>	<u>\$ 10,146,249</u>	

See Accompanying Notes to the Financial Statements

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

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 4,899,866	\$ (164,136)	\$ 4,899,635	\$ 377,507	\$ 10,012,872
Accounts receivable					
Taxes	262,506	-	-	-	262,506
Accounts	28,577	-	-	-	28,577
Intergovernmental - Federal	-	527,699	-	-	527,699
TOTAL ASSETS	\$ 5,190,949	\$ 363,563	\$ 4,899,635	\$ 377,507	\$ 10,831,654
 LIABILITIES:					
Accounts payable	\$ 35,723	\$ 1,323	\$ -	\$ -	\$ 37,046
Accrued sick leave	32,847	-	-	-	32,847
Unearned revenue	-	362,240	-	-	362,240
TOTAL LIABILITIES	68,570	363,563	-	-	432,133
 FUND BALANCES:					
Restricted	-	-	4,899,635	377,507	5,277,142
Committed	208,665	-	-	-	208,665
Unassigned	4,913,714	-	-	-	4,913,714
TOTAL FUND BALANCES	5,122,379	-	4,899,635	377,507	10,399,521
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,190,949	\$ 363,563	\$ 4,899,635	\$ 377,507	\$ 10,831,654

See Accompanying Notes to the Financial Statements

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

Total Governmental Fund Balances	\$	10,399,521
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position</p>		
Capital assets		72,875,673
<p>Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position</p>		
Deferred loss on refunding		465,747
Pension		3,105,934
OPEB		1,638,399
<p>Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position</p>		
Net pension liability		(12,040,111)
Net OPEB liability		(14,130,855)
<p>Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position</p>		
Pension		(950,839)
OPEB		(2,212,719)
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position</p>		
Bond obligations		(45,272,619)
Capital Lease obligations		(1,998,041)
Accrued interest		(325,086)
Other accrued liabilities		(151,556)
Accrued sick leave		(416,661)
Net Position of Governmental Activities	\$	<u><u>10,986,787</u></u>

See Accompanying Notes to the Financial Statements

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

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 4,839,615	\$ -	\$ -	\$ 2,396,037	\$ 7,235,652
Motor vehicle	895,091	-	-	-	895,091
Utilities	1,735,172	-	-	-	1,735,172
Earnings on investments	230,931	1,205	166,369	1,889	400,394
Tuition	21,627	-	-	-	21,627
Other local revenues	257,529	68,328	-	350,725	676,582
Intergovernmental - State	30,111,389	1,981,528	106,399	2,259,713	34,459,029
Intergovernmental - Indirect federal	216,794	3,556,322	670,029	-	4,443,145
TOTAL REVENUES	38,308,148	5,607,383	942,797	5,008,364	49,866,692
EXPENDITURES:					
Current:					
Instruction:	20,900,559	3,999,702	-	260,275	25,160,536
Support Services:					
Student	3,478,726	232,902	-	-	3,711,628
Instructional staff	1,470,000	788,488	-	107,229	2,365,717
District administration	1,162,667	-	-	-	1,162,667
School administration	1,929,120	-	-	-	1,929,120
Business	1,636,334	6,201	-	-	1,642,535
Plant operations and maintainance	4,187,526	2,783	-	-	4,190,309
Student transportation	2,696,304	121,088	-	-	2,817,392
Community Services	4,391	353,723	-	-	358,114
Capital Outlay	455,359	-	-	1,158,684	1,614,043
Debt service	423,771	-	4,207,352	-	4,631,123
TOTAL EXPENDITURES	38,344,757	5,504,887	4,207,352	1,526,188	49,583,184
Excess (Deficit) of Revenues over Expenditures	(36,609)	102,496	(3,264,555)	3,482,176	283,508
OTHER FINANCING SOURCES (USES):					
Operating transfers in	150,562	91,721	3,963,443	1,167,763	5,373,489
Operating transfers out	(414,059)	(194,217)	-	(4,655,750)	(5,264,026)
Issuance of debt	437,806	-	-	-	437,806
Proceeds from sale of fixed assets	277,701	-	-	-	277,701
TOTAL OTHER FINANCING SOURCES (USES):	452,010	(102,496)	3,963,443	(3,487,987)	824,970
Net Change in Fund Balances	415,401	-	698,888	(5,811)	1,108,478
Fund balance - beginning of year	4,706,978	-	4,200,747	383,318	9,291,043
Fund balance - end of year	\$ 5,122,379	\$ -	\$ 4,899,635	\$ 377,507	\$ 10,399,521

See Accompanying Notes to the Financial Statements

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,108,478
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Bond discounts are expensed as incurred in the fund financial statement, but are amortized over the life of the bond in the statement of activities:</p>	
Amortization expense	33,909
<p>The proceeds from the disposal of capital assets provide current financial resources and are reported in the fund financial statements. However, for governmental activities the proceeds are reported net of the cost less any accumulated depreciation.</p>	
	(135,698)
<p>Governmental funds do not report the effect of gain or loss on refunding debt, whereas these amounts are deferred and amortized in the statement of activities</p>	
	(72,083)
<p>Issuance of debt proceeds are recognized in this fund financial statement as resources available for use as current financial resources, but these proceeds are not recognized in the statement of activities</p>	
	(437,806)
<p>Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>	
Capital outlays	1,614,043
Depreciation expense	(2,596,709)
<p>Generally, expenditures recognized in the 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>	
Accrued interest	15,021
Sick leave	(129,609)
KSBIT payable	75,778
<p>Governmental funds report pension and OPEB contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, and the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.</p>	
KTRS on-behalf revenue	9,888,546
KTRS on-behalf pension expense	(9,393,412)
KTRS on-behalf OPEB expense	(495,134)
Pension expense	(1,053,041)
OPEB expense	4,894
<p>Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position.</p>	
	<u>2,882,730</u>
Change in Net Position of Governmental Activities	<u>\$ 1,309,907</u>

See Accompanying Notes to the Financial Statements

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

	GENERAL FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 4,565,000	\$ 4,855,000	\$ 4,839,615	\$ (15,385)
Motor vehicle	750,000	800,000	895,091	95,091
Utilities	1,800,000	1,775,000	1,735,172	(39,828)
Tuition and fees	52,500	10,500	21,627	11,127
Earnings on investments	75,000	120,000	230,931	110,931
Other local revenues	103,000	99,800	257,529	157,729
Intergovernmental - State	27,860,500	19,722,000	30,111,389	10,389,389
Intergovernmental - Indirect federal	130,000	130,000	216,794	86,794
TOTAL REVENUES	35,336,000	27,512,300	38,308,148	10,795,848
EXPENDITURES:				
Current:				
Instruction:	20,864,853	14,852,436	20,900,559	(6,048,123)
Support Services:				
Student	2,818,700	2,399,500	3,478,726	(1,079,226)
Instructional staff	1,418,085	1,177,477	1,470,000	(292,523)
District administration	1,417,540	1,344,645	1,162,667	181,978
School administration	1,802,260	1,453,890	1,929,120	(475,230)
Business	1,515,395	1,249,780	1,636,334	(386,554)
Plant operations and maintenance	4,187,032	3,854,910	4,210,626	(355,716)
Student transportation	2,653,735	2,269,292	3,128,563	(859,271)
Community Services	40,870	6,900	4,391	2,509
Debt service	467,500	423,770	423,771	(1)
TOTAL EXPENDITURES	37,185,970	29,032,600	38,344,757	(9,312,157)
Excess (Deficit) of Revenues over Expenditures	(1,849,970)	(1,520,300)	(36,609)	1,483,691
OTHER FINANCING SOURCES (USES):				
Operating transfers in	427,970	260,000	150,562	(109,438)
Operating transfers out	(100,000)	(100,000)	(414,059)	(314,059)
Issuance of debt	-	-	437,806	437,806
Proceeds from Sale of Assets	1,000	500	277,701	277,201
Contingency	(3,100,000)	(3,125,000)	-	3,125,000
TOTAL OTHER FINANCING SOURCES (USES):	(2,771,030)	(2,964,500)	452,010	3,416,510
Net Change in Fund Balances	(4,621,000)	(4,484,800)	415,401	4,900,201
Fund balance - beginning of year	4,621,000	4,484,800	4,706,978	222,178
Fund balance - end of year	\$ -	\$ -	\$ 5,122,379	\$ 5,122,379

See Accompanying Notes to the Financial Statements

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

	SPECIAL REVENUE FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 1,205	\$ 1,205
Other local revenues	2,450	66,085	68,328	2,243
Intergovernmental - State	1,716,489	1,980,492	1,981,528	1,036
Intergovernmental - Indirect federal	3,467,081	3,655,817	3,556,322	(99,495)
TOTAL REVENUES	<u>5,186,020</u>	<u>5,702,394</u>	<u>5,607,383</u>	<u>(95,011)</u>
EXPENDITURES:				
Current:				
Instruction:	3,471,365	4,170,802	3,999,702	171,100
Support Services:				
Student	297,587	207,225	232,902	(25,677)
Instructional staff	1,018,680	841,245	788,488	52,757
District administration	1,265	-	-	-
Business	32,318	5,713	6,201	(488)
Plant operations and maintenance	79,378	89,889	2,783	87,106
Student transportation	40,370	107,962	121,088	(13,126)
Community services	298,483	359,811	353,723	6,088
TOTAL EXPENDITURES	<u>5,239,446</u>	<u>5,782,647</u>	<u>5,504,887</u>	<u>277,760</u>
Excess (Deficit) of Revenues over Expenditures	<u>(53,426)</u>	<u>(80,253)</u>	<u>102,496</u>	<u>182,749</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	100,000	100,000	91,721	(8,279)
Operating transfers out	(46,574)	(2,651)	(194,217)	(191,566)
TOTAL OTHER FINANCING SOURCES (USES):	<u>53,426</u>	<u>97,349</u>	<u>(102,496)</u>	<u>(199,845)</u>
Net Change in Fund Balances	-	17,096	-	(17,096)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ 17,096</u>	<u>\$ -</u>	<u>\$ (17,096)</u>

See Accompanying Notes to the Financial Statements

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

	<u>FOOD SERVICE FUND</u>	<u>DAY CARE FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 642,945	\$ 18,629	\$ 661,574
Accounts receivable	14,870	12,054	26,924
Inventory	33,556	-	33,556
Total Current Assets	<u>691,371</u>	<u>30,683</u>	<u>722,054</u>
Noncurrent Assets			
Machinery & equipment	3,185,929	2,700	3,188,629
Accumulated depreciation	(2,137,446)	(2,700)	(2,140,146)
Total Noncurrent Assets	<u>1,048,483</u>	<u>-</u>	<u>1,048,483</u>
TOTAL ASSETS	<u>1,739,854</u>	<u>30,683</u>	<u>1,770,537</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension Plan	278,581	98,621	377,202
OPEB	122,626	44,700	167,326
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>401,207</u>	<u>143,321</u>	<u>544,528</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	119	188	307
Noncurrent Liabilities			
Net pension liability	1,588,409	668,715	2,257,124
Net OPEB liability	447,323	163,672	610,995
TOTAL LIABILITIES	<u>2,035,851</u>	<u>832,575</u>	<u>2,868,426</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	118,833	42,258	161,091
OPEB	83,516	42,570	126,086
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>202,349</u>	<u>84,828</u>	<u>287,177</u>
NET POSITION:			
Net Investment in Capital Assets	1,048,483	-	1,048,483
Restricted	-	-	-
Unrestricted	(1,145,622)	(743,399)	(1,889,021)
TOTAL NET POSITION	<u>\$ (97,139)</u>	<u>\$ (743,399)</u>	<u>\$ (840,538)</u>

See Accompanying Notes to the Financial Statements

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

	FOOD SERVICE FUND	DAY CARE FUND	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES:			
Lunchroom sales	\$ 299,236	\$ -	\$ 299,236
Other operating revenues	-	361,962	361,962
TOTAL OPERATING REVENUES	<u>299,236</u>	<u>361,962</u>	<u>661,198</u>
OPERATING EXPENSES:			
Salaries and wages	763,295	388,298	1,151,593
Employee benefits	708,038	351,759	1,059,797
Contract services	87,895	6,402	94,297
Materials and supplies	1,857,281	33,959	1,891,240
Property	-	-	-
Miscellaneous	11,648	2,313	13,961
Depreciation	116,714	-	116,714
TOTAL OPERATING EXPENSES	<u>3,544,871</u>	<u>782,731</u>	<u>4,327,602</u>
Operating income (loss)	(3,245,635)	(420,769)	(3,666,404)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	2,546,139	6,639	2,552,778
Federal commodities	141,285	-	141,285
State grants	397,811	246,572	644,383
Interest income	9,776	-	9,776
Loss on disposal	(6,365)	-	(6,365)
NON-OPERATING REVENUES (EXPENSES)	<u>3,088,646</u>	<u>253,211</u>	<u>3,341,857</u>
Net income (loss) before operating transfers	(156,989)	(167,558)	(324,547)
Operating transfers	<u>(138,488)</u>	<u>29,025</u>	<u>(109,463)</u>
Change in net position	(295,477)	(138,533)	(434,010)
Total net position - beginning of year	<u>198,338</u>	<u>(604,866)</u>	<u>(406,528)</u>
Total net position - end of year	<u>\$ (97,139)</u>	<u>\$ (743,399)</u>	<u>\$ (840,538)</u>

See Accompanying Notes to the Financial Statements

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

	FOOD SERVICE FUND	DAY CARE FUND	TOTAL PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 300,983	\$ 358,905	\$ 659,888
Cash paid to suppliers	(1,831,577)	(43,315)	(1,874,892)
Cash paid to employees	(957,523)	(659,680)	(1,617,203)
Net Cash Provided (Used) by Operating Activities	(2,488,117)	(344,090)	(2,832,207)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers	(138,488)	29,025	(109,463)
Governmental grants	2,565,845	253,212	2,819,057
Net Cash Provided (Used) by Noncapital Activities	2,427,357	282,237	2,709,594
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	-	-	-
Loss on disposal	6,365	-	6,365
Net Cash Provided (Used) by Financing Activities	6,365	-	6,365
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	9,776	-	9,776
Net Cash Provided (Used) by Investing Activities	9,776	-	9,776
Net Increase (Decrease) in Cash and Cash Equivalents	(44,619)	(61,853)	(106,472)
Cash and cash equivalents - beginning of year	687,564	80,482	768,046
Cash and cash equivalents - end of year	\$ 642,945	\$ 18,629	\$ 661,574
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income (loss)	\$ (3,245,635)	\$ (420,769)	\$ (3,666,404)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Federal commodities	141,285	-	141,285
On-behalf payments	371,741	-	371,741
Depreciation	116,714	-	116,714
Changes in Assets and Liabilities:			
Accounts Receivable	1,747	(3,057)	(1,310)
Inventory	(16,071)	-	(16,071)
Deferred outflows	118,851	67,241	186,092
Accounts payable	33	(641)	(608)
Deferred inflows	28,501	16,125	44,626
Net pension liability	51,469	29,119	80,588
Net OPEB liability	(56,752)	(32,108)	(88,860)
Net Cash Provided (Used) by Operating Activities	\$ (2,488,117)	\$ (344,090)	\$ (2,832,207)
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$ 141,285	\$ -	\$ 141,285
On-behalf payments	\$ 371,741	\$ -	\$ 371,741

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

	<u>SPECIAL PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
ASSETS:		
Cash and cash equivalents	\$ 190,578	\$ 155,570
Accounts receivable	<u>29,491</u>	<u>632</u>
TOTAL ASSETS	\$ <u>220,069</u>	\$ <u>156,203</u>
LIABILITIES:		
Accounts payable	\$ 495	\$ 132
Due to student groups	<u>-</u>	<u>156,071</u>
TOTAL LIABILITIES	\$ <u>495</u>	\$ <u>156,203</u>
NET POSITION:		
Net position - restricted for school activity fund	\$ <u>219,574</u>	\$ <u>-</u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

		SPECIAL PURPOSE TRUST FUNDS
ADDITIONS		
Contributions	\$	268,856
Interest Income		98
Total Additions		268,954
DEDUCTIONS		
Community Service Activities		291,248
Change in Net Position		(22,294)
Total net position - beginning of year		241,868
Total net position - end of year	\$	219,574

See Accompanying Notes to the Financial Statements

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

NOTE 1 – REPORTING ENTITY

The Montgomery County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Montgomery County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as 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 the funds and account groups relevant to the operation of the Montgomery 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 Boosters Club, Parent-Teacher Associations and other student association entities.

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

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

Blended Component Unit

Montgomery County School District Finance Corporation - In a prior year, the Board resolved to authorize the establishment of the Montgomery County School District Finance Corporation (a non-stock, non-profit corporation organized under School Bond Act and Chapter 273 and KRS 58.180) (the Corporation) as an agency of the District for financing the costs of school building improvements. The Board members of the Montgomery County Board of Education also comprise the corporation's Board of Directors. The Corporation does not publish individual component unit financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

BASIS OF PRESENTATION

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

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

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

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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Fund Financial Statements (Cont'd)

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

(B) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

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

2) The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds. This is a non-major fund of the District.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Fund Financial Statements (Cont'd)

- 1) The Support Education Excellence in Kentucky (SEEK) Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a non-major fund of the District.

- 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. This is a non-major fund of the District.

- 3) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bonds issues are used for various construction and renovation projects. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a non-major fund of the District.

(D) The Debt Service Fund accounts for financial resources used for payment of principal and interest and other debt related costs. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

(A) The Food Service Fund accounts 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.

(B) The Day Care Fund is used to account for child care revenue. The Day Care Fund is a major fund.

III. Fiduciary Fund Type (Agency)

(A) The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform program of Accounting for School Activity Funds*.

(B) The Private Purpose Trust Funds is maintained within MUNIS and account for revenues generated by trusts set up to benefit students in Montgomery County.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

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 Non-Exchange Transactions

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, 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.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises during the period for which taxes are levied, but only after the District has completed certain legal steps to establish the enforceable legal claim. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements when in which the District must provide local resources to be used for a specified purpose and expenditure requirements for in which the resources that are provided to the District on a reimbursement basis. Revenues from non-exchange transactions must also be available before they can be recognized in the governmental fund statements.

In the Government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Revenues – Exchange and Non-Exchange Transactions (Cont'd)

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Unearned Revenue

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

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues from local sources consist primarily of property taxes. Property taxes collected are recorded as revenues in the fund for which they were levied. Revenue is recognized when susceptible to accrual. Miscellaneous revenues are recorded on the same basis, if measurable. Investment earnings are recorded as earned since they are measurable and available.

Grant funds which are recorded in the special revenue fund as restricted funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as unearned revenues until all eligibility requirements have been met.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

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.

Inventory

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

Capital Assets

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

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

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:

Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1st 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 unpaid after December 31st, are considered delinquent and the County Attorney can file a lien against the property, after certain notices are provided to taxpayers.

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, if the taxes are restricted to a specific purpose, such as the Building Fund (FSPK).

The property tax rates assessed for the year ended June 30, 2019 to finance the General Fund operations were \$.528 per \$100 valuation for real property, \$.528 per \$100 valuation for business personal property and \$.469 per \$100 valuation for motor vehicles. The District levies a 3% utility tax on all businesses and households within the County.

Interfund Balances

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 the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgetary Process

The District's budgetary process accounts for certain transactions on a basis of accounting other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. As a result, several programs exceeded budgetary appropriations. However, these amounts were funded by the on-behalf revenues from the State. (See Note 15). In addition, capital outlay is budgeted with the departmental budget (budget basis) rather than as a separate category (GAAP basis)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per District policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state 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. The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of the 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 non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Fund Balances

The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) for fiscal year 2011 for its governmental funds. Fund balances for each of the District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Fund balance in the SEEK, construction and FSPK of \$310, 946 restricted for capital projects. Fund balance in Debt Service of \$4,899,635 restricted for debt service. District Activity funds are restricted for student activities with a total of \$58,432 at June 30, 2019.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the Board's highest level of decision-making authority, which is a resolution.
- *Assigned fund balance*—amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board or a delegated entity had the authority to assign amounts to be used for specific purposes. Assigned fund balance in the General Fund includes amounts that have been appropriated for expenditures in the budget for the District's subsequent fiscal year. As of June 30, 2019, the District assigned \$208,665 for the FY2020 budget.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

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

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources. Net invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and any deferred outflows/inflows related to debt issued for capital financing. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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 various schools and fees charged for day care services. All other revenues are non-operating. Operating expenses can be tied directly to the production of the goods and services, such as the materials and labor and direct overhead. Other expenses are non-operating.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Interfund Activity

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 the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

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 in the financial statements and the accompanying notes. Actual results could differ from those estimates.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows- contributions to the CERS and KTRS pension systems after the measurement period, differences between actual and estimated actuarial assumptions in the two pension systems (see Notes 7 and 8), and the unrecognized portion of a deferred loss on the refinancing of long-term debt (see Note 5).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until appropriate period. The District reports one type of deferred inflows- those related to the net differences between projected and actual actuarial assumptions for pension and OPEB plans (see Notes 7 and 8).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the CERS and KTRS, respectively. 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. Both systems publish separate financial statements as described in Note 7.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these multiple-employer cost-sharing OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note 8.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

New Accounting Pronouncements

GASB Statement No. 87, *Leases* (GASB 87), increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that lease are financings of the right to use an underlying asset. GASB 87 will be effective for reporting periods beginning after December 15, 2019. The District has not determined the financial impact of the implementation of GASBS No. 87, but many of the leases reported in Note 6 will be reported as intangible assets and lease liabilities with the implementation of GASBS No. 87.

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This statement establishes criteria for identifying fiduciary activities for all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 will be effective for reporting periods beginning after December 15, 2018. The District has not determined the financial impact of the implementation of GASBS No. 84, but the school activity funds will be reviewed to determine which funds will be reported as special revenue funds, which will increase net position, and which will be reported as fiduciary custodial funds.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end, the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC Insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$11,020,594. The bank balance for the same time was \$12,410,603.

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

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

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$3,631,393	\$50,830	\$61,701.00	\$3,620,522
Construction in Progress	15,564,788	1,158,684	50,830	16,672,642
Total Capital Assets not being depreciated	19,196,181	1,209,514	112,531	20,293,164
Other Capital Assets				
Land Improvements	4,617,362	0	98,214	4,519,148
Buildings & Improvements	84,670,961	0	697,619	83,973,342
Technological Equipment	2,506,586	0	115,601	2,390,985
Vehicles	6,166,393	455,359	12,095	6,609,657
General Equipment	3,536,726	0	80,940	3,455,786
Infrastructure	136,126	0	0	136,126
Total Other Assets	101,634,154	455,359	1,004,469	101,085,044
Less accumulated depreciation for:				
Land Improvements	(3,217,754)	(139,723)	(95,610)	(3,261,867)
Buildings & Improvements	(34,283,850)	(2,037,030)	(626,225)	(35,694,655)
Technological Equipment	(2,471,092)	(7,573)	(115,601)	(2,363,064)
Vehicles	(3,285,086)	(392,046)	(12,095)	(3,665,037)
General Equipment	(3,442,389)	(20,337)	(80,940)	(3,381,786)
Infrastructure	(136,126)	0	0	(136,126)
Total accumulated depreciation	(46,836,297)	(2,596,709)	(930,471)	(48,502,535)
Other Capital Assets, net	54,797,857	(2,141,350)	73,998	52,582,509
Governmental Activities, net	\$73,994,038	(\$931,836)	\$186,529	\$72,875,673
Business Activities:				
Buildings & Improvements	\$1,628,335	\$0	\$17,959	\$1,610,376
Technological Equipment	24,867	0	440	24,427
Vehicles	36,702	0	0	36,702
General Equipment	1,594,762	0	77,021	1,517,741
Total	3,284,666	0	95,420	3,189,246
Less accumulated depreciation for:				
Buildings & Improvements	(897,171)	(47,679)	(17,959)	(926,891)
Technological Equipment	(24,867)	0	(440)	(24,427)
Vehicles	(36,702)	0	0	(36,702)
General Equipment	(1,154,363)	(69,036)	(70,655)	(1,152,744)
Total accumulated depreciation	(2,113,103)	(116,714)	(89,054)	(2,140,764)
Business Activities, net	\$1,171,563	(\$116,714)	\$6,366	\$1,048,483

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

NOTE 4 - CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to functions of the governmental activities of the District as follows:

Governmental Activities:

Instruction	\$2,012,971
Support Services:	
Student	11,524
Instructional Staff	0
District Administration	14,508
School Administration	12,613
Business	11,901
Plant Operations & Maintenance	122,899
Student Transportation	410,294
Total depreciation expense, governmental activities	\$2,596,709

NOTE 5 – LONG-TERM DEBT AND LEASE OBLIGATIONS

Bonds

The District, through the General Fund, the Building Fund, and the SEEK Capital Outlay Fund are obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Montgomery County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996, the District entered into "Participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

NOTE 5 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)

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

Issue	Proceeds	Rates	Maturity Dates	Outstanding Balance June 30, 2019
2010 QSBC	\$12,576,000	5.88%	12/1/2027	\$12,576,000
2011	5,035,000	1.70% 2.90%	6/1/2023	4,045,000
2014	14,960,000	3.00% - 3.50%	9/1/2034	14,775,000
2014A	4,000,000	2.00% - 3.25%	12/1/2030	3,905,000
2014B	4,230,000	1.00% - 3.00%	3/1/2025	3,660,000
2015	2,385,000	2.00% - 2.50%	4/1/2026	2,110,000
2016	4,255,000	2.00%	9/1/2027	3,865,000
	<u>\$47,441,000</u>			<u>\$44,936,000</u>

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

Year	Montgomery County School District		Kentucky School Construction Commission		Federal Rebate QSCB	Total
	Principal	Interest	Principal	Interest	Interest	
2020	\$2,469,921	\$918,331	\$50,079	\$15,479	\$714,317	\$4,168,127
2021	2,518,620	861,307	51,380	14,178	714,317	4,159,802
2022	2,582,256	801,696	52,744	12,815	714,317	4,163,828
2023	2,610,827	738,224	54,173	11,385	714,317	4,128,926
2024	2,649,805	656,202	35,195	9,916	714,317	4,065,435
2025-2029	22,838,761	2,245,382	157,239	35,954	2,500,109	27,777,445
2030-2034	7,280,735	846,083	129,265	15,398	0	8,271,481
2035-2035	1,432,506	25,069	22,494	394	0	1,480,463
	<u>\$44,383,431</u>	<u>\$7,092,294</u>	<u>\$552,569</u>	<u>\$115,519</u>	<u>\$6,071,693</u>	<u>\$58,215,506</u>

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

NOTE 5 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)

Capital Leases

Following is an analysis of the leased property under capital lease through KISTA:

<u>KISTA Issue</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	2018			2019
			<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
Issue of 2009	3/1/2019	2-3.9%	\$31,673	\$0	\$31,673	\$0
Issue of 2009C	3/1/2020	2-3.6%	51,734	0	25,433	26,301
1st Issue of 2010	3/1/2020	1-3.3%	15,194	0	7,416	7,778
1st Issue of 2011	3/1/2021	1-4%	23,541	0	8,625	14,916
2nd Issue of 2011B	3/1/2021	1-3.6%	57,534	0	20,306	37,228
2nd Series of 2012	3/1/2022	.95-2.5%	146,664	0	38,596	108,068
First Series of 2013	3/1/2023	2%	302,215	0	62,550	239,665
Issue of 2014	3/1/2024	2-3%	359,341	0	59,927	299,414
Issue of 2015	3/1/2025	1-2.65%	432,863	0	61,048	371,815
Issue of 2016	3/1/2026	2-2.625%	309,540	0	36,715	272,825
Issue of 2017	3/1/2027	2.55%	207,666	0	25,441	182,225
Issue of 2019	3/1/2029	2.55%	0	437,806	0	437,806
Totals			<u>\$1,937,965</u>	<u>\$437,806</u>	<u>\$377,730</u>	<u>\$1,998,041</u>

The following is a schedule by years of the future minimum lease payments under KISTA capital lease together with the present value of the net minimum lease payments as of June 30, 2019:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2020	\$391,744	\$49,810	\$441,554
2021	360,395	40,516	400,911
2022	322,512	32,037	354,549
2023	284,281	24,468	308,749
2024	223,953	17,542	241,495
2025-2029	415,156	26,222	441,378
	<u>\$1,998,041</u>	<u>\$190,596</u>	<u>\$2,188,637</u>

Capital Leases

The following is an analysis of the leased property under capital leases by class at June 30, 2019:

<u>Class of Property</u>	<u>Amount</u>
Buses Book Value	\$1,629,650

KSBIT Payable

In 2013, the Kentucky School Board Insurance Trust (KSBIT) notified the District that its self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment was required, under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members, to fund the deficit and the transfer of liability to a qualified insurer/reinsurer.

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

NOTE 5 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)

KSBIT Payable (Cont'd)

On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of insurance using the novation option of funding. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will take over the future responsibility for all present and future claims. The District's liability under the novation method was estimated to be \$866,534. The District elected to make an initial payment of 30% of its assessment and finance the remaining liability over 6 years. The plan was approved in June 2014 and the first payment was due by August 31, 2014.

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2019:

	06/30/18 Beginning Balance	Additions	Reductions	06/30/19 Ending Balance	Amounts Due Within One Year
Bonds	\$ 47,441,000	\$ -	\$ 2,505,000	\$ 44,936,000	\$ 2,520,000
Net Bond Premium (Discounts)	370,528	-	33,909	336,619	-
Capital Leases	1,937,965	437,806	377,730	1,998,041	391,744
Sick Leave	319,264	212,209	81,965	449,508	118,594
KSBIT Payable	227,334	-	75,778	151,556	75,778
Total	<u>\$ 50,296,091</u>	<u>\$ 650,015</u>	<u>\$ 3,074,382</u>	<u>\$ 47,871,724</u>	<u>\$ 3,106,116</u>

NOTE 6 - COMMITMENTS UNDER NON-CAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$73,565
2021	61,070
2022	0
2023	0
2024	0
	<u>\$134,634</u>

NOTE 7 - RETIREMENT PLAN

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.

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

NOTE 7 - RETIREMENT PLAN (cont'd)

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 the General Assembly of the Commonwealth has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Beginning in 2015, COLAs were suspended until the retirement funds reach 100% funded status.

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

NOTE 7 - RETIREMENT PLAN (cont'd)

Benefits provided (cont'd)

Retirement benefits are calculated using factors for the number of years' service multiplied by the "final compensation." Reduced benefits are based on factors of both of these components. Again, the definitions of "final compensation" and the benefit factor for years' of service depend on the Tier in which the member participates. Benefits in Tier 3, the cash balance plan, are limited to the accumulated contributions and earnings credited to the member's account, similar to a defined contribution plan. There are, however, minimum rates of return that are guaranteed and funded with employer contributions when actual earnings are less than these minimum rates.

Tier 1	Final Compensation	Average of the highest 5 fiscal years
	Benefit Factor	2.2% prior to 8/1/2004 or 2% after 8/1/2004
	Interest on member accounts	2%
Tier 2	Final Compensation	5 complete fiscal years preceding retirement
	Benefit Factor	Scale of 1.1% to 2% based on number of years of service
	Interest on member accounts	2.50%
Tier 3	Final Compensation	N/A
	Benefit Factor	N/A
	Interest on member accounts	4% plus 75% of the 5 year geometric average earnings in excess of 4%
	Employer Pay Credit	4% of creditable compensation

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are provided in a \$5,000 lump sum payment.

- Death benefits before retirement are based on the member's eligibility for normal or early retirement at the time of death, or five years of service if the member is under the age of 55, or 144 months of service if the member is no longer working for a participating agency.

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

NOTE 7 - RETIREMENT PLAN (cont'd)

Benefits provided (cont'd)

- If beneficiaries are eligible for benefits, they may choose a lifetime monthly benefit or a lump sum payment for an actuarial refund, or annuities for 5 or 10 years of monthly payments.
- If the beneficiary is not eligible for monthly benefits, a lump sum payment of the member's contributions and accumulated interest will be paid. Beneficiaries of Tier 3 members will also include the employer pay credit if the member has at least 5 years of service at the time of death.
- If the member dies as a result of a duty-related death, the decedent's beneficiary will receive the higher of the normal death benefit or \$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.
- Dependent children also receive benefits for duty-related deaths as a monthly benefit equal to 10% of the member's monthly final rate of pay. But, dependent children benefits cannot total more than 40% of the monthly final rate of pay.

Contributions

Required contributions by the employee are based on the tier:

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

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

Plan description

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

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

NOTE 7 - RETIREMENT PLAN (cont'd)

Benefits provided

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service.

To qualify for monthly retirement benefits, payable for life, employees must either:

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

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

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

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

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

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

NOTE 7 - RETIREMENT PLAN (cont'd)

Contributions (cont'd)

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.

Other Retirement Plans

The District also offers employees the option to participate in defined contribution plans under Sections 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. These plans are administered by independent third-party administrators.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to the plans during the year totaled \$202,833. The District does not contribute to these plans.

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

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

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

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

NOTE 7 - RETIREMENT PLAN (cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)

District's proportionate share of the net CERS pension liability	\$	14,297,234
Commonwealth's proportionate share of the net KTRS pension liability associated with the District		<u>77,750,825</u>
	\$	<u><u>92,048,059</u></u>

The net pension liability for CERS was based on the total pension liability that was determined by an actuarial valuation as of June 30, 2018.

The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. 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 .234754%. For the year ended June 30, 2019, the District recognized pension expense of \$1,249,062 (\$1,053,041 in Governmental funds and \$196,021 in Proprietary fund) related to CERS. The net pension liability for KTRS was based on the total pension liability that was measured as of June 30, 2018, determined by an actuarial valuation as of that date. The district recognized pension expense of \$9,393,412 related to KTRS. The District also recognized revenue of \$9,393,412 for KTRS 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>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 466,336	\$ 209,281
Changes of assumptions	1,397,256	-
Net difference between projected and actual earnings on pension plan investments	664,832	836,264
Changes in proportion and differences between District contributions and proportionate share of contributions	-	66,386
District contributions subsequent to the measurement date	<u>954,712</u>	<u>-</u>
	<u>\$ 3,483,136</u>	<u>\$ 1,111,931</u>

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

NOTE 7 - RETIREMENT PLAN (cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)

\$954,712 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$1,105,751
2021	\$ 557,893
2022	\$ (170,416)
2023	\$ (76,735)
2024	\$ -

Actuarial assumptions

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

	CERS	KTRS
Inflation	2.30%	3.0%
Projected salary increases	3.30%-11.55% (varies by service)	3.5-7.3%
Investment rate of return, net of investment expense & inflation	6.25%	7.5%

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 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. At the time of the last experience study, performed as of June 30, 2013, this mortality assumption provided 37% and 19% margin for future improvement for males and females, respectively. This will be reviewed again when the next experience investigation is conducted for the 2019 actuarial analysis.

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

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

NOTE 7 - RETIREMENT PLAN (cont'd)

Actuarial assumptions (cont'd)

Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class.

In May 2017, the Kentucky Retirement Systems Board of Trustees adopted a new asset allocation policy based on recommendations from the investment professionals serving as trustees on the Board, the actuarial valuation used a long-term expected rate of return determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS' investment trustees, 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. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	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	2.00%	1.50%
Total	<u>100.0%</u>	

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

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

NOTE 7 - RETIREMENT PLAN (cont'd)

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

Actuarial assumptions (cont'd)

<u>Asset Class</u>	Target <u>Allocation</u>	Long-Term Expected <u>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%	6.30%
Cash	2.00%	0.90%
Total	<u>100.00%</u>	

**Includes High Yield, Non-US Developed Bonds, and Private Credit Strategies*

Discount rate

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

For KTRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments. The change in the discount rate from the 4.49% used in the 2017 disclosure reports is considered a change in the actuarial assumptions or other inputs under GASBS No. 68.

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

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

NOTE 7 - RETIREMENT PLAN (cont'd)

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 17,998,737	\$ 14,297,234	\$ 11,196,023
KTRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

Pension plan fiduciary net position

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)

The District's employees are provided with two OPEB 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. Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and KTRS plans. The Kentucky Retirement System's publicly available financial report may be obtained from <http://kyret.ky.gov/>. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

CERS Other Postemployment Benefits

Plan Description—CERS health insurance benefits are also subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance covered based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium. Hazardous members receive a contribution subsidy for both the member and dependent coverage.

Benefits Provided—Percentage of premium subsidies ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

Hazardous retirees receive \$15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the 2018 measurement period, CERS allocated 4.70% of the 19.18% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1% of the Tier 2 and 3 employee contributions of 6% are allocated to the health insurance plan.

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

At June 30, 2019, the District reported a liability of \$4,167,851 for its proportionate share of the collective net CERS OPEB liability. The total OPEB liability, net OPEB liability, and sensitivity information for CERS are based on an actuarial valuation performed as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. The collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.234745%.

The amount recognized by the District as its proportionate share of the OPEB liability was \$4,167,851 as of June 30, 2019. For the year ended June 30, 2019, the District recognized OPEB expense of \$168,395.

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

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 485,708
Changes of assumptions	832,382	9,630
Net difference between projected and actual earnings on OPEB plan investments	-	287,083
Changes in proportion and differences between District contributions and proportionate share of contributions	-	35,384
District contributions subsequent to the measurement date	309,605	-
	\$ 1,141,987	\$ 817,805

Of the total amount reported as deferred outflows of resources related to OPEB, \$309,605 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:

<u>Year ended June 30:</u>	
2020	\$ 7,757
2021	\$ 7,757
2022	\$ 7,757
2023	\$ 63,514
2024	\$(43,274)
Thereafter	\$(28,936)

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:

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% - 11.55%, depending on years of service
Inflation rate	2.30%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal Bond Index Rate	3.62%
Discount Rate	5.85%

Mortality rates were based on the RP-2000 Combined Mortality Table updated with Scale BB from the year 2000 to the year 2013. Pre-retirement mortality male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%. Post-retirement mortality rates for females are set back one year. The RP-2000 Disabled Mortality Table is used for post-retirement mortality using the Scale BB projected to 2025. Male mortality rates are set back four years.

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, 2013 valuation. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May and July 2017 for use with the June 30, 2018 valuation in order to reflect future economic expectations.

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

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
Emerging Market Debt	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	2.00%	1.50%
Total	<u>100.0%</u>	

Discount rate – The single discount rate of 5.85% for CERS-Nonhazardous was used to measure the total OPEB liability as of June 30, 2018. The Single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2018. Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2018) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently included in the calculation of the System’s actuarial determined contributions, but any cost associated with the implicit subsidy is not paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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:

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

	1% Decrease		Current Discount Rate		1% Increase
	4.85%		5.85%		6.85%
District's proportionate share of net OPEB liability	\$ 5,413,370	\$	4,167,851	\$	3,106,896

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

	1% Decrease		Current Health Care Trend Rate		1% Increase
	6.5%		7.5%		8.5%
	decreasing to 4%		decreasing to 5%		decreasing to 6%
District's proportionate share of net OPEB liability	\$ 3,103,006	\$	4,167,851	\$	5,422,996

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

KTRS Postemployment Health Care Benefits

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

Plan description—In addition to the pension benefits described in Note 7, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

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

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.

For the state's fiscal year ended June 30, 2018, the State budgeted supplemental appropriations for the Kentucky Teachers Retirement System to improve the system's funded status. Although not actuarially required, these appropriations have been included in the State's share of contributions for the actuarial measurement as of June 30, 2018.

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

At June 30, 2019, the District reported a liability of \$10,574,000 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 .304759%.

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:

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

District's proportionate share of the net KTRS OPEB liability	\$	10,574,000
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District		9,113,000
Total	\$	19,687,000

For the year ended June 30, 2019, the District recognized OPEB expense of \$495,134 and revenue of \$642,000 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$	-	\$ 542,000
Changes of assumptions		145,000	-
Net difference between projected and actual earnings on OPEB plan investments		-	43,000
Changes in proportion and differences between District contributions and proportionate share of contributions		-	936,000
District contributions subsequent to the measurement date		518,738	-
	\$	663,738	\$ 1,521,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$518,738 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:

<u>Year ended June 30:</u>	
2020	\$ (261,000)
2021	\$ (261,000)
2022	\$ (261,000)
2023	\$ (241,000)
2024	\$ (245,000)
Thereafter	\$ (107,000)

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont’d)

KTRS Postemployment Health Care Benefits (cont’d)

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 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	1.02% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

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:

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Additional Categories*	20.0%	3.3%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Cash	1.0%	.9%
Total	<u>100.0%</u>	

**Includes high yield, non-US developed bonds, and private credit strategies*

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:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
District's proportionate share of MIF net OPEB liability	\$ 12,400,000	\$ 10,574,000	\$ 9,054,000

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

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

	1% Decrease	Current Health Care Trend Rate	1% Increase
	6.75%	7.75%	8.75%
	decreasing to 4%	decreasing to 5%	decreasing to 6%
District's proportionate share of net OPEB liability	\$ 8,768,000	\$ 10,574,000	\$ 12,802,000

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

KTRS Postemployment Life Insurance Benefits

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.

For the state’s fiscal year ended June 30, 2018, the State budgeted supplemental appropriations for the Kentucky Teachers Retirement System to improve the system’s funded status. Although not actuarially required, these appropriations have been included in the State’s share of contributions for the actuarial measurement as of June 30, 2018.

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

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:

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Life Insurance Benefits (cont'd)

District's proportionate share of the net KTRS OPEB liability	\$	-
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District		156,000
	\$	156,000

The collective net OPEB liability for life insurance was based on an actuarial valuation performed as of June 30, 2018. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the State's long-term share of contributions to the State's life insurance plan for District employees relative to the projected contributions for all employees, actuarially determined. For the year ended June 30, 2019, the District recognized OPEB expense of \$25,000 and revenue of \$25,000 for support provided by the State.

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

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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.

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

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Life Insurance Benefits (cont'd)

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	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Additional Categories*	6.0%	3.3%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Cash	<u>2.0%</u>	.9%
Total	<u>100.0%</u>	

**Includes high yield, non-US developed bonds, and private credit strategies*

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of LIF net OPEB liability	\$ -	\$ -	\$ -

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

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

NOTE 9 – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. At June 30, 2019, this amount totaled \$449,508. The District follows a policy of funding up to one-half of the total amount accrued as a commitment of the General Fund balance.

NOTE 10 - INSURANCE AND RELATED ACTIVITIES

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

NOTE 11 - CONTINGENCIES

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose the grantor may request a refund of monies advanced, or to refuse to reimburse the District for its disbursements.

The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

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

NOTE 12- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund.

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

NOTE 12- RISK MANAGEMENT (cont'd)

These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such a fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

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 several fiscal years.

NOTE 13 - COBRA

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

NOTE 14 - DEFICIT OPERATING/ FUND BALANCES

As of June 30, 2019 the day care and food service funds are operating as a deficit fund balance of \$743,399 and \$97,139, respectively. The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in the following reductions of fund balances:

District Activity	\$13,940
Food Service	\$295,477
Day Care Fund	\$138,533

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

NOTE 15 – INTERFUND TRANSACTIONS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS & Grant Match	\$91,721
General	District Activity	Athletics	\$2,839
General	Construction	Capital Outlay	\$290,475
General	Child Care	Operations	\$29,025
Building Fund	General	Capital Outlay	\$4,292
Building Fund	Debt Service	Debt Service	\$3,963,443
Building Fund	Construction	Capital Outlay	\$275,052
Capital Outlay	Construction	Capital Outlay	\$412,963
Special Revenue	Construction	Capital Outlay	\$186,435
Special Revenue	General	Indirect Costs	\$7,782
Food Service	General	Indirect Costs	\$138,488

NOTE 16 - ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2019, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Kentucky Teachers Retirement System	\$ 6,106,906
Health & Life Insurance	4,516,289
Technology	107,904
Debt Service	<u>106,399</u>
Recognized at the Fund Level	\$ <u>10,837,498</u>
Additional pension & OPEB expense recognized at the Government-Wide Level	<u>\$ 3,953,506</u>
Total On-Behalf	\$ <u><u>14,791,004</u></u>

These payments were recorded in the appropriate revenue and expense accounts on the statement of revenue, expenses, and changes in fund balance as follows:

General Fund	\$ 10,192,162
Food Service Fund	371,741
Childcare Fund	167,196
Debt Service Fund	<u>106,399</u>
Total	\$ <u><u>10,837,498</u></u>

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

NOTE 17– LITIGATION

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

NOTE 18– SUBSEQUENT EVENTS

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

MONTGOMERY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL SCHEDULES

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

	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:					
District's proportion of the net pension liability	0.234754%	0.235486%	0.236870%	0.242120%	0.244600%
District's proportionate share of the net pension liability	\$ 14,297,234	\$ 13,783,720	\$ 11,662,793	\$ 10,410,081	\$ 7,936,000
District's covered-employee payroll	\$ 5,763,039	\$ 5,595,830	\$ 5,697,660	\$ 5,650,548	\$ 5,692,338
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	248.08%	246.32%	204.69%	184.23%	139.42%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:					
District's proportion of the net pension liability	0%	0%	0%	0%	0%
District's proportionate share of the net pension liability	-	-	-	-	-
State's proportionate share of the net pension liability associated with the District	\$ 77,750,825	\$ 172,778,606	\$ 188,334,884	\$ 144,885,786	\$ 132,528,897
Total	<u>\$ 77,750,825</u>	<u>\$ 172,778,606</u>	<u>\$ 188,334,884</u>	<u>\$ 144,885,786</u>	<u>\$ 132,528,897</u>
District's covered-employee payroll	\$ 19,505,691	\$ 20,300,644	\$ 21,347,513	\$ 21,427,288	\$ 20,360,393
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	56.40%	54.60%	55.30%	53.60%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:						
Contractually required contribution	\$ 954,712	\$ 842,496	\$ 799,824	\$ 672,973	\$ 722,892	\$ 1,060,021
Contributions in relation to the contractually required contribution	<u>954,712</u>	<u>842,496</u>	<u>799,824</u>	<u>672,973</u>	<u>722,892</u>	<u>1,060,021</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 5,887,232	\$ 5,763,039	\$ 5,595,830	\$ 5,697,660	\$ 5,650,548	\$ 5,692,338
District's contributions as a percentage of its covered-employee payroll	16.22%	14.62%	14.29%	11.81%	12.79%	18.62%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 19,503,223	\$ 19,505,691	\$ 20,300,644	\$ 21,347,513	\$ 21,427,288	\$ 20,360,393
District's contributions as a percentage of its covered-employee payroll	0.00%	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 will be displayed as they become available.

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION
FOR THE YEAR ENDED JUNE 30, 2019**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Changes of Benefit Terms -

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

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

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

Changes of Assumptions -

The actuarially determined contribution rates are determined in an annual basis using the actuarial valuation conducted two years prior to the year in which the contribution will be assessed. The amortization period for the unfunded liability was reset as of July 1, 2013 to a closed 30-year period. For the 2017 actuarial valuation, several key actuarial assumptions were revised. Changes in assumptions prior to 2016 provided minor adjustments to the actuarial measurements. The following table outlines the actuarial methods and assumptions that were used in 2017 and 2016 to determine contribution rates reported for all systems:

Assumption	2017 Valuation	2016 Valuation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level of Percentage of Payroll, closed	Level of Percentage of Payroll, closed
Remaining Amortization Period	26 Years	27 Years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Post-retirement benefit adjustments	0.00%	0.00%
Inflation	2.30%	3.25%
Salary Increase	3.3% to 11.55% varies by service), average, including Inflation	4% , average, including Inflation
Investment Rate of Return	6.25% , Net of Pension Plan Investment Expense, including Inflation	7.5% , Net of Pension Plan Investment Expense, including Inflation

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Changes of Benefit Terms - None

Changes of Assumptions:

The 2018 actuarial analysis for KTRS indicated that cash flows for the system would be sufficient to pay benefits in all periods. As a result, the discount rate for the 2018 study was the same as the long-term expected yield of 7.5%. In 2017, the analysis used a blended rate of 4.49% which included the application of the municipal bond index to periods after 2038.

**MONTGOMERY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - MEDICAL
INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Reporting Fiscal Year (Measurement Date)</u>	<u>Reporting Fiscal Year (Measurement Date)</u>
	2019 (2018)	2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM:		
District's proportion of the net OPEB liability	0.234754%	0.235486%
District's proportionate share of the net OPEB liability	\$ 4,167,851	\$ 4,734,074
District's covered-employee payroll	\$ 5,763,039	\$ 5,595,830
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	72.32%	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
District's proportion of the net OPEB liability	0.304759%	0.335595%
District's proportionate share of the net OPEB liability	10,574,000	11,967,000
State's proportionate share of the net OPEB liability associated with the District	\$ 9,113,000	\$ 9,775,000
Total	<u>\$ 19,687,000</u>	<u>\$ 21,742,000</u>
District's covered-employee payroll	\$ 19,505,691	\$ 20,300,644
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	54.21%	58.95%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	26.70%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
Contractually required contribution	\$ 309,605	\$ 273,462	\$ 271,195
Contributions in relation to the contractually required contribution	<u>309,605</u>	<u>273,462</u>	<u>271,195</u>
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 5,887,232	\$ 5,763,039	\$ 5,595,830
District's contributions as a percentage of its covered-employee payroll	5.26%	4.75%	4.85%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:			
Contractually required contribution	\$ 518,738	\$ 542,872	\$ 574,968
Contributions in relation to the contractually required contribution	<u>518,738</u>	<u>542,872</u>	<u>574,968</u>
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's contributions as a percentage of its covered-employee payroll	3.00%	2.78%	2.83%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - MEDICAL INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Valuation Date: June 30, 2018

Changes in actuarial assumptions:

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions which were changed from the 2016 actuarial valuation, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4% average
Inflation rate	3.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal bond index rate	3.56%
Discount rate	5.84%

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Valuation Date: June 30, 2018

2017 Changes to benefit terms:

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

**MONTGOMERY COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - LIFE
 INSURANCE PLAN
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Reporting Fiscal Year (Measurement Date)</u>	<u>Reporting Fiscal Year (Measurement Date)</u>
	2019 (2018)	2018 (2017)
KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
District's proportion of the net OPEB liability	0%	0%
District's proportionate share of the net OPEB liability	-	-
State's proportionate share of the net OPEB liability associated with the District	\$ 156,000	\$ 131,000
Total	<u>\$ 156,000</u>	<u>\$ 131,000</u>
District's covered-employee payroll	\$ 19,505,691	\$ 20,300,644
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	75.00%	87.80%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - LIFE INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018	2017
KENTUCKY TEACHER'S RETIREMENT SYSTEM:			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - LIFE INSURANCE
PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Valuation Date: June 30, 2018

Changes to benefit terms:

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

MONTGOMERY COUNTY SCHOOL DISTRICT
SUPPLEMENTAL SCHEDULES

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

	DISTRICT ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 58,432	\$ -	\$ 21,100	\$ 297,975	\$ 377,507
Accounts receivable	-	-	-	-	-
TOTAL ASSETS	<u>\$ 58,432</u>	<u>\$ -</u>	<u>\$ 21,100</u>	<u>\$ 297,975</u>	<u>\$ 377,507</u>
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Restricted	58,432	-	21,100	297,975	377,507
TOTAL FUND BALANCES	<u>58,432</u>	<u>-</u>	<u>21,100</u>	<u>297,975</u>	<u>377,507</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 58,432</u>	<u>\$ -</u>	<u>\$ 21,100</u>	<u>\$ 297,975</u>	<u>\$ 377,507</u>

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

	DISTRICT ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ -	\$ -	\$ 2,396,037	\$ -	\$ 2,396,037
Earnings on investments	-	-	-	1,889	1,889
Fees	7,943	-	-	-	7,943
Other	342,782	-	-	-	342,782
Intergovernmental - State	-	412,963	1,846,750	-	2,259,713
TOTAL REVENUES	<u>350,725</u>	<u>412,963</u>	<u>4,242,787</u>	<u>1,889</u>	<u>5,008,364</u>
EXPENDITURES:					
Current:					
Instruction	260,275	-	-	-	260,275
Instructional staff support	107,229	-	-	-	107,229
Capital Outlay	-	-	-	1,158,684	1,158,684
TOTAL EXPENDITURES	<u>367,504</u>	<u>-</u>	<u>-</u>	<u>1,158,684</u>	<u>1,526,188</u>
Excess (Deficit) of Revenues over Expenditures	<u>(16,779)</u>	<u>412,963</u>	<u>4,242,787</u>	<u>(1,156,795)</u>	<u>3,482,176</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	2,839	-	-	1,164,924	1,167,763
Operating transfers out	-	(412,963)	(4,242,787)	-	(4,655,750)
TOTAL OTHER FINANCING SOURCES (USES):	<u>2,839</u>	<u>(412,963)</u>	<u>(4,242,787)</u>	<u>1,164,924</u>	<u>(3,487,987)</u>
Net Change in Fund Balances	(13,940)	-	-	8,129	(5,811)
Fund balance - beginning of year	72,372	-	21,100	289,846	383,318
Fund balance - end of year	<u>\$ 58,432</u>	<u>\$ -</u>	<u>\$ 21,100</u>	<u>\$ 297,975</u>	<u>\$ 377,507</u>

**MONTGOMERY COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS
AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
For The Year Ended June 30, 2019**

	Cash Balances June 30, 2018	Receipts	Disbursements	Cash Balances June 30, 2019	Accounts Receivable June 30, 2019	Accounts Payable June 30, 2019	Fund Balances June 30, 2019
Montgomery Co. High School	\$ 71,530	\$ 209,318	\$ 203,921	\$ 76,927	\$ 458	\$ 132	\$ 77,253
McNabb Middle School	23,215	100,959	100,604	23,570	58	-	23,628
Northview Elementary	9,868	34,562	28,451	15,979	62	-	16,041
Mapleton Elementary	13,374	47,812	44,102	17,084	12	-	17,096
Mt Sterling Elementary	14,279	41,521	43,888	11,912	16	-	11,928
Camargo Elementary	6,305	34,724	31,280	9,749	27	-	9,776
Camargo Charitable Gaming	100	-	-	100	-	-	100
Mt. Sterling Elem. Charitable Gaming	860	582	1,192	250	-	-	250
	<u>\$ 139,531</u>	<u>\$ 469,478</u>	<u>\$ 453,438</u>	<u>\$ 155,570</u>	<u>\$ 632</u>	<u>\$ 132</u>	<u>\$ 156,071</u>

**MONTGOMERY COUNTY BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
MONTGOMERY COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

ACCOUNTS:	Cash Balances June 30, 2018	Receipts	Disbursements	Cash Balances June 30, 2019	Accounts Receivable June 30, 2019	Accounts Payable June 30, 2019	Fund Balances June 30, 2019
Musical	\$ 3,286	\$ 18,650	\$ 17,850	\$ 4,086	\$ -	\$ -	\$ 4,086
Student Scholarship Fund	1,771	395	2,000	166	-	-	166
Art	2,137	942	2,572	507	-	-	507
Bass Fishing	103	6,474	5,739	838	-	-	838
Boys Bowling	849	3,920	2,548	2,221	-	-	2,221
Girls Bowling	476	3,304	2,151	1,629	-	-	1,629
Band	496	15,147	10,436	5,207	-	-	5,207
Boys Basketball	-	5,926	5,377	549	-	-	549
BETA	689	3,895	3,870	714	-	-	714
Black & Hispanic Achiever	1,613	10,626	12,239	-	-	-	-
Chess	43	919	955	7	-	-	7
Co-Ed-Y	405	26,194	25,235	1,364	-	-	1,364
Social Fund	14	495	423	86	-	-	86
FFA	3,755	13,500	17,255	-	35	-	35
FCCLA	278	3,169	2,641	806	-	-	806
French	26	-	-	26	-	-	26
General	1,990	2,555	4,073	472	-	-	472
Kids Count (YSC)	3,731	4,151	2,822	5,060	-	-	5,060
Mock Trial	348	2,491	2,243	596	-	-	596
Family & Consumer Science	3,232	1,935	1,266	3,901	-	-	3,901
Horticulture	5,555	3,611	6,297	2,869	146	-	3,015
Math Department	39	330	369	-	-	-	-
English Department	330	-	251	79	-	-	79
MC2 Field Trip	21	-	21	-	-	-	-
JORTC	7,526	2,719	6,009	4,236	98	-	4,334
Guidance	6,435	24,304	23,325	7,414	100	-	7,514
STLP	727	-	68	659	-	-	659
Student Vending	-	-	-	-	-	-	-
Faculty Vending	1,838	3,922	3,989	1,771	79	-	1,850
Newspaper	1,172	140	774	538	-	-	538
Orchestra	527	3,804	3,557	774	-	-	774
Class of 2018	-	-	-	-	-	-	-
Class of 2019	7,116	4,143	11,259	-	-	-	-
Class of 2020	2,638	2,288	-	4,926	-	-	4,926
Class of 2021	1,292	2,774	-	4,066	-	-	4,066
Class of 2022	-	1,766	-	1,766	-	-	1,766
Spanish	434	-	434	-	-	-	-
Acedemic Team	25	285	300	10	-	-	10
Student Council	116	180	200	96	-	-	96
Vocal Music	1,585	780	720	1,645	-	-	1,645
Vocational Agriculture	3,226	450	1,970	1,706	-	132	1,574
Engineering Class	638	828	714	752	-	-	752
Drama Club	-	260	-	260	-	-	260
The Tribe Shop	-	6,556	4,727	1,829	-	-	1,829
FMD	323	1,440	1,345	418	-	-	418
MCHS Book Club	870	2,694	2,232	1,332	-	-	1,332
Freshman Honors	445	-	445	-	-	-	-
Engineering Club	149	-	149	-	-	-	-
Girls Basketball	363	700	316	747	-	-	747
Softball	24	2,995	2,261	758	-	-	758
Volleyball	827	700	1,114	413	-	-	413
Swim	410	701	-	1,111	-	-	1,111
Baseball	-	5,200	4,800	400	-	-	400
Cheer	-	700	-	700	-	-	700
Tennis	-	700	351	349	-	-	349
Archery	735	1,550	1,371	914	-	-	914
Football	-	1,200	714	486	-	-	486
Girls Soccer	667	700	86	1,281	-	-	1,281
Cross Country	188	700	-	888	-	-	888
Boys Golf	-	700	-	700	-	-	700
Girls Golf	-	700	-	700	-	-	700
Boys Soccer	-	950	-	950	-	-	950
Wrestling	-	700	-	700	-	-	700
Track	47	2,460	2,058	449	-	-	449
TOTALS	\$ 71,530	\$ 209,318	\$ 203,921	\$ 76,927	\$ 458	\$ 132	\$ 77,253

MONTGOMERY COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Passed Through Kentucky Department of Education			
United States Department of Agriculture			
<i>Child Nutrition Cluster-Cluster</i>			
United States Department of Agriculture			
National School Lunch Program			
National School Lunch Program	10.555	4002833	\$141,285
National School Lunch Program	10.555	7750002-18	304,863
National School Lunch Program	10.555	7750002-19	1,475,565
School Breakfast Program	10.553	7760005-18	120,438
School Breakfast Program	10.553	7760005-19	521,245
Child and Adult Care	10.558	7790021-18	7,481
Child and Adult Care	10.558	7790021-19	71,714
Child and Adult Care	10.558	7800016-18	515
Child and Adult Care	10.558	7800016-19	5,467
Summer School Feeding Program	10.559	7690024-18	4,468
Summer School Feeding Program	10.559	7740023-19	14,870
Summer School Feeding Program	10.559	7740023-18	26,153
Total Child Nutrition Cluster-Cluster			<u>2,694,063</u>
Total United States Department of Agriculture			<u>2,694,063</u>
United States Department of Education			
<i>Special Education Cluster (IDEA)-Cluster</i>			
Department of Education			
Special Education_Grants to States			
Special Education_Grants to States	84.027	3810002-18	756,228
Special Education_Grants to States	84.027	3810002-17	24,289
Total Special Education_Grants to States			<u>780,517</u>
Special Education_Preschool Grants			
Special Education_Preschool Grants	84.173	3800002-17	19,846
Special Education_Preschool Grants	84.173	3800002-18	51,174
Total Special Education_Preschool Grants			<u>71,020</u>
Total Special Education Cluster (IDEA)-Cluster			<u>851,537</u>
COMMUNITY BASED WORK			
Adult Education - Basic Grants to States	84.002	TRANSITION PR--371E	78,273
Total Adult Education - Basic Grants to States			<u>78,273</u>
Title I Grants to Local Educational Agencies			
Title I Grants to Local Educational Agencies	84.010	3100002-16	5,652
Title I Grants to Local Educational Agencies	84.010	3100102-17	1,491
Title I Grants to Local Educational Agencies	84.010	3100002-18	1,435,266
Title I Grants to Local Educational Agencies	84.010	3100002-17	121,140
Title I Grants to Local Educational Agencies	84.010	3100202-17	238,224
Title I Grants to Local Educational Agencies	84.010	3100102-18	75,911
Total Title I Grants to Local Educational Agencies			<u>1,877,684</u>
Migrant Education_State Grant Program			
Migrant Education_State Grant Program	84.011	3110002-17	42,872
Migrant Education_State Grant Program	84.011	3110002-18	102,153
Total Migrant Education_State Grant Program			<u>\$145,025</u>

The accompanying notes are an integral part of this schedule

MONTGOMERY COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Career and Technical Education -- Basic Grants to States			
Career and Technical Education -- Basic Grants to States	84.048	3710002-17	\$1,718
Career and Technical Education -- Basic Grants to States	84.048	3710002-18	44,965
Total Career and Technical Education -- Basic Grants to States			46,683
Rural Education			
Rural Education	84.358	3140002-18	85,844
Total Rural Education			85,844
English Language Acquisition State Grants			
English Language Acquisition State Grants	84.365	3300002-17	2,096
English Language Acquisition State Grants	84.365	3300002-18	10,260
Total English Language Acquisition State Grants			12,356
Improving Teacher Quality State Grants			
Improving Teacher Quality State Grants	84.367	3230002-17	116,043
Improving Teacher Quality State Grants	84.367	3230002-18	180,257
Total Improving Teacher Quality State Grants			296,300
Student Support and Academic Enrichment Program			
Student Support and Academic Enrichment Program	84.424	3420002-17	25,761
Student Support and Academic Enrichment Program	84.424	3420002-18	66,052
Total Student Support and Academic Enrichment Program			91,813
Total United States Department of Education			3,485,515
United States Department of Defense			
ROTC	12.000	ROTC--504D	70,808
Total United States Department of Defense			70,808
Total Expenditures of Federal Awards			\$ 6,250,386

The accompanying notes are an integral part of this schedule

**MONTGOMERY COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Montgomery County School District under the 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 operations of the Montgomery County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- 2) Montgomery School District did not elect to use the 10% de minimus indirect cost rate.

NOTE 3 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2019, the District received food commodities totaling \$141,285.

SUMMERS, MCCRARY & SPARKS, P.S.C.

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

To the Kentucky State Committee for School District Audits
Members of the Board of Education
Montgomery County School District
Mt. Sterling, KY 40353

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

Internal Control over Financial Reporting

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

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

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 the Montgomery 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002.

We noted certain matters that we reported to management for the District in a separate letter dated November 12, 2019.

District's Response to Finding

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

In addition, the items mentioned above were instances of noncompliance with specific state statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

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.

Summers, McCrary & Sparks, PSC

Lexington, KY
November 12, 2019

SUMMERS, MCCRARY & SPARKS, P.S.C.

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

To the Kentucky State Committee for School District Audits
Members for the Board of Education
Montgomery County School District
Mt. Sterling, KY 40353

Report on Compliance for Each Major Federal Program

We have audited the Montgomery County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Montgomery County School District's major federal programs for the year ended June 30, 2019. Montgomery 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 the Montgomery 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Montgomery 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 the Montgomery County School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the Montgomery 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 the Montgomery 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 the Montgomery 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Summers, McCrary & Sparks, PSC

Lexington, KY
November 12, 2019

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

Section II – Financial Statement Findings

2019-001 Publication

Condition: District did not publish the budget in the newspaper.

Criteria: School district budget – KRS 424.250

Cause: The District did not publish the budget.

Effect: Noncompliance with Kentucky Revised Statutes.

Recommendation: At the same time copies of the budget are filed with the clerk of the tax levying authority for the district, the budget should be published in a newspaper.

Views of Responsible Officials and Planned Corrective Actions: This is a new requirement to the audit contract that is based on a KRS that was written in the 1950s. We have been assured that KDE plans to address this in the future. When we publish in the newspaper that the Annual Financial Report is available to view on our district website that same report includes the budget. So our budget is currently available to view online but we did not publish a separate notice of this. In the future we plan to publish a notice as we do with the AFR stating that the Budget will be available to view on our district website.

2019-002 Salaries

Condition: An employee was not paid in accordance with the approved salary schedule.

Criteria: Observance of approved single salary schedule – KRS 157.320(12), KRS 157.50(3), and 702 KAR 3:070

Cause: An employee was paid more than the approved rate.

Effect: Noncompliance with Kentucky Revised Statutes and over payment of employees.

Recommendation: Finance personnel should ensure pay rates match the approved salary schedule.

Views of Responsible Officials and Planned Corrective Actions: In the published version of the 18-19 salary schedule, the wrong column was hidden containing rounded versions of stipends for current employees who were hired into positions prior to 7/1/2018 (\$5,198 rounded to \$5,200, \$2,888 rounded to \$2,900, etc.) The employee in question was hired into his Coaching position prior to 7/1/18 so his stipend was correct at \$2,900, however if/when he ever resigned, the stipend had been changed to \$2,200 if hired after 7/1/18.

Section III – Federal Award Findings and Questioned Costs

No findings in the current year.

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

Financial Statement Findings

No findings in the prior year.

Federal Award Findings and Questioned Costs

No findings in the prior year.

SUMMERS, MCCRARY & SPARKS, P.S.C.

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Members of the Board of Education
Montgomery County School District
Mt. Sterling, Kentucky

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

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

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

Respectfully,

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
November 12, 2019

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

BOARD

Comment: During testing of payroll it was noted that an employee had not signed their employee contract.

Response: The employee in question had a contract in her file, however it was not signed and due to change in personnel staffing, it was not caught prior to her resignation. We are making efforts to double check receipt of signed contracts.

SCHOOL ACTIVITY FUNDS

MONTGOMERY COUNTY HIGH SCHOOL

Comment: During our review of Accounts Receivable, we found multiple instances of funds being remitted prior to June 30 but not being recorded until after June 30. We recommend the bookkeeper review the "Receipts" section of the "Redbook", which states, "All money collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the money is collected after school business hours for evening or weekend events, on the next business day."

Response: Procedures have been put in place with our account clerks to ensure that the drop safes at the schools are being checked daily, even during summer vacation. Also that money is to be taken to the bank immediately upon leaving the school. We have held Redbook Training, as well as met with individual school groups to reinforce the requirement to turn money in daily, even when school may not be in session.

McNABB MIDDLE SCHOOL

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

MAPLETON ELEMENTARY SCHOOL

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

MT. STERLING ELEMENTARY SCHOOL

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

CAMARGO ELEMENTARY SCHOOL

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

MONTGOMERY COUNTY INTERMEDIATE SCHOOL

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

STATUS OF PRIOR YEAR COMMENTS

BOARD

- Previously, during testing of cash disbursements it was noted that several purchase orders were not properly approved. No similar finding occurred in the current year.

MONTGOMERY COUNTY HIGH SCHOOL

- Previously, during our review of the AFR we noted multiple accounts that did not have activity during the preceding 12 months. We recommend the bookkeeper and Principal review the “Inactive Account Balances” section of the “Redbook”, which states an activity account will be considered inactive if there has been no activity during the preceding 12 months. When an account has become inactive, its funds need to be transferred to an account designated in writing by the student organization or the funds shall be transferred to the school activity general account. No similar finding occurred in the current year.

McNABB MIDDLE SCHOOL

- Previously, during our review of the AFR we noted an account that did not have activity during the preceding 12 months. We recommend the bookkeeper and Principal review the “Inactive Account Balances” section of the “Redbook”, which states an activity account will be considered inactive if there has been no activity during the preceding 12 months. When an account has become inactive, its funds need to be transferred to an account designated in writing by the student organization or the funds shall be transferred to the school activity general account. No similar finding occurred in the current year.

**MONTGOMERY COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2019**

MAPLETON ELEMENTARY SCHOOL

- Previously, during our review of the AFR we noted an account that did not have activity during the preceding 12 months. We recommend the bookkeeper and Principal review the “Inactive Account Balances” section of the “Redbook”, which states an activity account will be considered inactive if there has been no activity during the preceding 12 months. When an account has become inactive, its funds need to be transferred to an account designated in writing by the student organization or the funds shall be transferred to the school activity general account. No similar finding occurred in the current year.

CAMARGO ELEMENTARY SCHOOL

- Previously, during our review of inventory it was noted that multiple Inventory Control Worksheet (F-SA-5) were not completed properly. We recommend the bookkeeper review the Inventory Control Worksheet (F-SA-5) to become familiar with each section that needs to be completed. No similar finding occurred in the current year.