

**ELLIOTT COUNTY  
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2020

Prepared by:

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the Elliott County School District  
Sandy Hook, KY  
And the State Committee for School District Audits

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elliott County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Elliott County School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elliott County School District, as of June 30, 2020, 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, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison information as listed in the table of contents 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 Elliott County School District basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020, on our consideration of the Elliott County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Elliott County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Elliott County School District's internal control over financial reporting and compliance.

***White & Associates, PSC***

Richmond, Kentucky

November 13, 2020

ELLIOTT COUNTY PUBLIC SCHOOL DISTRICT  
SANDY HOOK, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year ended June 30, 2020

As management of the Elliott 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, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning General Fund balance for the District was \$628,759 and ending with \$519,910.
- The district utilized KISTA financing to purchase 2 new busses and was able to purchase a 3<sup>rd</sup> bus through general fund and Capital Outlay funds.
- The district was able to give and \$1/hr. raise to all custodians and teacher aides.
- The General Fund had \$9.28 million in revenue, which primarily consisted of the SEEK program, property, utility and motor vehicle taxes. There were \$9.59 million expenditures in General Fund.
- The Board utilized the option provided in House Bill 269 to use Capital Outlay fund for a construction project and a portion of a new bus. The available funds totaled \$56,010.
  - \$16,190 Isonville chimney demolition
  - \$39,820 School Bus
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. There were no new building bonds issued in FY20.

**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). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found in the table of contents 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 in the table of contents 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.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

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

**Table 1**  
**Net Position**  
**\$ (in Millions)**

	Governmental Activities		Business-type Activities		Totals	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Current assets	0.74	0.64	0.33	0.33	1.07	0.97
Non-current assets	20.89	20.44	0.01	0.01	20.90	20.45
Total assets	21.63	21.08	0.34	0.34	21.97	21.42
Deferred outflows	1.22	1.29	0.04	0.04	1.26	1.33
Current liabilities	1.10	1.52			1.10	1.52
Non-current liabilities	15.58	14.27	0.17	0.17	15.75	14.44
Total liabilities	16.68	15.79	0.17	0.17	16.85	15.96
Deferred inflows	0.95	1.21	0.02	0.02	0.97	1.23
Net position:						
Invested in capital assets, net of debt	10.66	10.91	0.01	0.01	10.67	10.92
Restricted	0.03		0.19	0.18	0.22	0.18
Unrestricted (deficit)	(5.48)	(5.54)			(5.48)	(5.54)
Total net position	5.21	5.37	0.20	0.19	5.41	5.56

SEE SCHEDULE OF CHANGES IN NET POSITION ON NEXT PAGE



**Table 2**  
**Changes in Net Position**  
**(in millions)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2019-2020
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	
Revenues:							
Charges for services	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.04	\$ 0.10	\$ 0.09	-10%
Operating grants and contributions	1.50	1.55	0.84	0.70	2.34	2.25	-4%
Capital grants and contributions	0.90	0.81			0.90	0.81	-10%
General revenues	9.58	9.43	(0.04)	(0.05)	9.54	9.38	-2%
Total revenue	12.03	11.84	0.85	0.69	12.88	12.53	-3%
Expenses:							
Instruction	\$ 7.13	\$ 6.80			\$ 7.13	\$ 6.80	-5%
Student	0.11	0.12			0.11	0.12	9%
Instructional staff	0.23	0.23			0.23	0.23	0%
District administration	0.48	0.65			0.48	0.65	35%
School administration	0.57	0.57			0.57	0.57	0%
Business	0.43	0.37			0.43	0.37	-14%
Plant operation & maintenance	0.98	1.10			0.98	1.10	12%
Student transportation	0.76	0.62			0.76	0.62	-18%
Community services operations	0.21	0.20			0.21	0.20	-5%
Food Service Operations		0.01	0.81	0.71	0.81	0.72	-11%
Building Improvements	-	0.02			-	0.02	100%
Depreciation/Amortization	0.73	0.74			0.73	0.74	1%
Interest on long-term debt	0.28	0.26			0.28	0.26	-7%
Total Expenses	\$ 11.91	\$ 11.69	\$ 0.81	\$ 0.71	\$ 12.72	\$ 12.40	-3%
Change in net position	\$ 0.12	\$ 0.15	\$ 0.04	\$ (0.02)	\$ 0.16	\$ 0.13	19%

## DEBT

Debt decreased from 2019 by \$710,524.

**Table 4**  
**Outstanding Debt at Year-End**

	Government Activities	
	2019	2020
General Obligation Bonds	9,468,505	8,760,381
Capital Lease Obligations	758,030	777,572
KSBIT Obligations	141,669	119,727
Total Obligations	10,368,204	9,657,680

## CAPITAL ASSETS

At the end of fiscal 2020, the District had \$20.45 million invested in capital assets, including land, improvements, and construction in progress.

Capital Assets at Year-End  
(Net of depreciation)

	Governmental Activities		Business Type Activities		Totals	
	2019	2020	2019	2020	2019	2020
Land	452,007	452,007	-	-	452,007	452,007
Land and Improvements	38,959	27,837	-	-	38,959	27,837
Buildings & Improvements	19,742,586	19,264,748	-	-	19,742,586	19,264,748
Vehicles	573,172	630,898	-	-	573,172	630,898
General Equipment	81,153	68,700	14,086	12,190	95,239	80,890
<b>Totals</b>	<b>20,887,877</b>	<b>20,444,190</b>	<b>14,086</b>	<b>12,190</b>	<b>20,901,963</b>	<b>20,456,380</b>

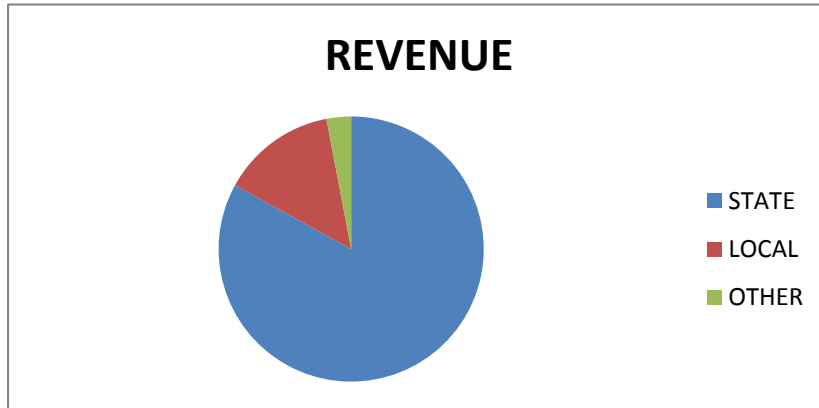
### Comments on Budget Comparisons

Actual revenues and expenditures for the General Fund contain \$2.5 million dollars in payments made on-behalf of the District by the State of Kentucky. Our District will remain conservative in future budgets because of the current economic climate and the unknown factors of Covid-19. The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2020.

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	1,309,097	30,991		112,524			49,363
State Revenue Sources	7,959,593	494,286	90,908	266,564		451,736	55,664
Federal Revenue Sources	14,017	1,043,230					646,126
Other	199,889						
Transfers	89,867	19,413			16,190	481,211	
<b>TOTALS</b>	<b>9,572,463</b>	<b>1,587,920</b>	<b>90,908</b>	<b>379,088</b>	<b>16,190</b>	<b>932,947</b>	<b>751,153</b>
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Instruction	5,606,436	1,225,607					
Student Support Services	115,588	1,399					
Instructional Staff Support Services	95,851	138,467					
District Admin Support	653,193						
School Admin Support	567,298						
Business Support Services	338,584	32,008					
Plant Operation & Management	1,080,262	14,957					
Student Transportation	893,943						
Food Service Operations		5,038					707,587
Community Services	31,645	168,975					
Building Improvements					16,190		
Debt Service	211,874					932,947	
Transfers	86,638		90,908	379,088			50,047
<b>TOTALS</b>	<b>9,681,312</b>	<b>1,586,451</b>	<b>90,908</b>	<b>379,088</b>	<b>16,190</b>	<b>932,947</b>	<b>757,634</b>
Excess / (Deficit)	(108,849)	1,469	-	-	-	-	(6,481)

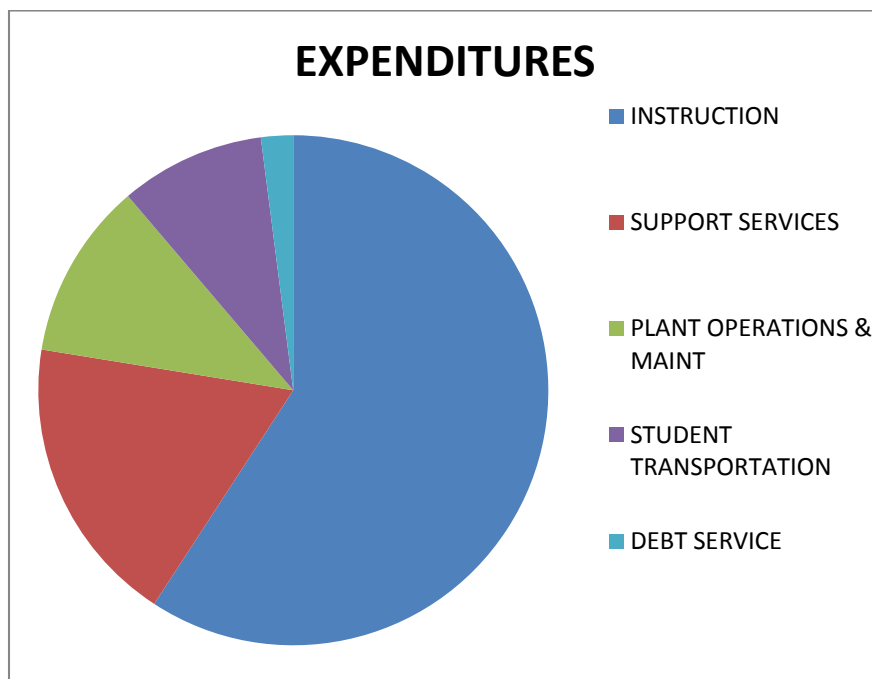
### General Fund Revenue Chart 1

The majority of revenue was derived from state funding (83%), with local taxes making up 14% of total revenue.



### General Fund Expenditures Chart 2

The majority of revenue is spent on instructional expenditures; this consumes 58% of the budget. The instruction function included the SBDM expenditures for staff and supplies. Support services make up 18%, which includes services for students, instructional staff, district administration, school administration and business. Plant operations and management makes up 11%. Student transportation makes up 9%. Debt Service is 2%. Food Service operations and community services make up less than one percent.



### **Special Revenue Fund Revenue/Expenditures**

The majority of revenue was derived from Federal Sources (66 %) with the state revenue making up 31% and local source providing 3%. The function with the greatest expenditures is instruction at 77%.

### **Other Governmental Funds Revenue/Expenditures**

The main other governmental funds are capital outlay fund, and building fund (FSPK). State funding makes up the capital outlay and the building fund consists of state and local revenues. During the FY20 school year these funds were used to make bond payments on existing debt, with the exception of \$56,010 capital funds which were used for a chimney demolition project and to assist with a new bus purchase as approved per HB 267.

### **School Food Service Fund Revenue/Expenditures**

The revenue is received from local, state, and federal monies. The largest being federal which makes up 86% of the budget.

## **BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The beginning General fund balance for the fiscal year was \$628,759. The ending fund balance was \$519,910.

Elliott County Public Schools continued to receive the Read To Achieve grant. It has continued to provide support teachers in the implementation of instructional strategies to address the needs of students reading at low levels at Isonville Elementary and Lakeside Elementary. The Math Achievement grant provided funds for support teachers and the implementation of services that address the needs of students who are struggling with math. Its impact involved Isonville Elementary and Sandy Hook Elementary.

Elliott County Public School's facility planning committee has met over the course of the fiscal year to discuss the budgetary implications and educational implications of a redistricting plan. The committee decided that the district will go forward with a consolidation plan that will eliminate the use of one school building in the upcoming year.

Questions regarding this report should be directed to the Superintendent Debbie Stephens or Kristen Salyers, Finance Officer at 606-738-8002 or by mail at Elliott County Board of Education, PO Box 767, Sandy Hook, KY 41171.

Elliott County School District  
**Statement of Net Position**  
June 30, 2020

	Primary Government		
	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 471,533	\$ 325,175	\$ 796,708
Receivables			
Taxes-current	40,430		40,430
Taxes-delinquent	12,032		12,032
Accounts	30,018		30,018
Intergovernmental-state	5,621		5,621
Intergovernmental-federal	77,302		77,302
Inventories		8,958	8,958
Capital assets:			
Land and construction in progress	452,007		452,007
Other capital assets, net of depreciation	19,992,183	12,190	20,004,373
Total capital assets	<u>20,444,190</u>	<u>12,190</u>	<u>20,456,380</u>
Total assets	<u>21,081,126</u>	<u>346,323</u>	<u>21,427,449</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	698,929	31,107	730,036
Deferred outflows related to OPEB	501,537	11,236	512,773
Deferred savings from refunding bonds	85,808		85,808
Total deferred outflows of resources	<u>1,286,274</u>	<u>42,343</u>	<u>1,328,617</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>22,367,400</u>	<u>388,666</u>	<u>22,756,066</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	18,207		18,207
Accrued interest payable	74,068		74,068
Unearned revenue	69,068		69,068
Long-term liabilities:			
Due within 1 year:			
Bond obligations	1,225,000		1,225,000
Capital lease obligations	111,746		111,746
KSBIT payable	22,516		22,516
Total due within 1 year	<u>1,359,262</u>	<u>-</u>	<u>1,359,262</u>
Due in more than 1 year:			
Bond obligations	7,535,381		7,535,381
Capital lease obligations	665,826		665,826
Sick leave	77,245		77,245
KSBIT payable	97,211		97,211
Net pension liability	3,059,438	136,166	3,195,604
Net OPEB liability	2,836,489	32,556	2,869,045
Total due in more than 1 year	<u>14,271,590</u>	<u>168,722</u>	<u>14,440,312</u>
Total liabilities	<u>15,792,195</u>	<u>168,722</u>	<u>15,960,917</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	241,557	10,751	252,308
Deferred inflows related to OPEB	968,459	13,996	982,455
Total deferred inflows of resources	<u>1,210,016</u>	<u>24,747</u>	<u>1,234,763</u>
Net Investment in capital assets	10,906,237	12,190	10,918,427
Restricted for:			
Capital projects	208		208
Food services		183,007	183,007
Unrestricted (deficit)	(5,541,256)		(5,541,256)
Total net position	<u>5,365,189</u>	<u>195,197</u>	<u>5,560,386</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 22,367,400</u>	<u>\$ 388,666</u>	<u>\$ 22,756,066</u>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Activities**  
Year ended June 30, 2020

		Program Revenues				Net (Expense) Revenue and Changes in Net Position		
						Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
Instruction	\$ 6,799,268	\$ -	\$ 1,035,927	\$ -	\$ (5,763,341)	\$ -	\$ (5,763,341)	
Support services								
Student	116,987	6,162	15,541		(95,284)		(95,284)	
Instructional staff	234,318		31,127		(203,191)		(203,191)	
District administration	653,193		86,772		(566,421)		(566,421)	
School administration	567,298		75,361		(491,937)		(491,937)	
Business	370,592		49,230		(321,362)		(321,362)	
Plant operation & maintenance	1,095,219	14,680	145,492	357,472	(577,575)		(577,575)	
Student transportation	621,867	30,000	82,611		(509,256)		(509,256)	
Food service operations	5,038		669		(4,369)		(4,369)	
Community services operations	200,620		26,651		(173,969)		(173,969)	
Building improvements	16,190		2,151		(14,039)		(14,039)	
Amortization	20,995				(20,995)		(20,995)	
Depreciation*	715,763				(715,763)		(715,763)	
Interest on long-term debt	262,119			451,736	189,617		189,617	
Total governmental activities	11,679,467	50,842	1,551,533	809,208	(9,267,884)		(9,267,884)	
Business-type activities:								
Food service operations	705,691	44,752	701,790			40,851	40,851	
Depreciation	1,896					(1,896)	(1,896)	
Total business-type activities	707,587	44,752	701,790	-	-	38,955	38,955	
Total primary government	\$ 12,387,054	\$ 95,594	\$ 2,253,323	\$ 809,208	(9,267,884)	38,955	(9,228,929)	
General revenues:								
Taxes:								
Property taxes					804,248		804,248	
Motor vehicle taxes					150,494		150,494	
Utility taxes					313,389		313,389	
State and formula grants					7,959,593		7,959,593	
Other local revenue					134,449		134,449	
Unrestricted investment earnings					13,870	4,611	18,481	
Transfers					50,047	(50,047)	-	
Total general revenues and transfers					9,426,090	(45,436)	9,380,654	
Change in net position					158,206	(6,481)	151,725	
Net Position - beginning					5,206,983	201,678	5,408,661	
Net Position - ending					\$ 5,365,189	\$ 195,197	\$ 5,560,386	

\*Unallocated depreciation that excludes depreciation which is included in the direct expenses of various programs, if any.

See the accompanying notes to the financial statements.

Elliott County School District  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2020

	<b>Governmental Funds</b>				
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 434,146	\$ 37,179	\$ -	\$ 208	\$ 471,533
Receivables					
Taxes-current	40,430				40,430
Taxes-delinquent	12,032				12,032
Accounts	30,018				30,018
Intergovernmental-state	5,621				5,621
Intergovernmental-federal	771	76,531			77,302
Total assets	<u>523,018</u>	<u>113,710</u>	<u>-</u>	<u>208</u>	<u>636,936</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	3,108	15,099			18,207
Unearned revenue		69,068			69,068
Total liabilities	<u>3,108</u>	<u>84,167</u>	<u>-</u>	<u>-</u>	<u>87,275</u>
<b>FUND BALANCE</b>					
Restricted		29,543		208	29,751
Unassigned	519,910				519,910
Total fund balance	<u>519,910</u>	<u>29,543</u>	<u>-</u>	<u>208</u>	<u>549,661</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 523,018</u>	<u>\$ 113,710</u>	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ 636,936</u>

See the accompanying notes to the financial statements.



Elliott County School District  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
June 30, 2020

<b>Fund balances-total governmental funds</b>	<b>\$ 549,661</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	20,444,190
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus	85,808
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued interest payable	(74,068)
Bond obligations	(8,760,381)
Capital lease obligations	(777,572)
KSBIT payable	(119,727)
Sick leave liability	(77,245)
Net pension liability	(3,059,438)
Net OPEB liability	(2,836,489)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows related to pensions	698,929
Deferred outflows related to OPEB	501,537
Deferred inflows related to pensions	(241,557)
Deferred inflows related to OPEB	(968,459)
<b>Net position of governmental activities</b>	<b>\$ <u>5,365,189</u></b>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year ended June 30, 2020

	<b>Governmental Funds</b>				
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>REVENUES</b>					
From local sources					
Taxes					
Property	\$ 691,724	\$ -	\$ -	\$ 112,524	\$ 804,248
Motor vehicle	150,494				150,494
Utilities	313,389				313,389
Earnings on investments	13,796	74			13,870
Student activities		6,162			6,162
Transportation	30,000				30,000
Other local revenue	109,694	24,755			134,449
Intergovernmental - state	7,959,593	494,286	451,736	357,472	9,263,087
Intergovernmental - federal	14,017	1,043,230			1,057,247
Total revenues	<u>9,282,707</u>	<u>1,568,507</u>	<u>451,736</u>	<u>469,996</u>	<u>11,772,946</u>
<b>EXPENDITURES</b>					
Instruction	5,606,436	1,225,607			6,832,043
Support services					
Student	115,588	1,399			116,987
Instructional staff	95,851	138,467			234,318
District administration	653,193				653,193
School administration	567,298				567,298
Business	338,584	32,008			370,592
Plant operation & maintenance	1,080,262	14,957			1,095,219
Food service operation		5,038			5,038
Student transportation	893,943				893,943
Community services operations	31,645	168,975			200,620
Building improvements				16,190	16,190
Debt service	211,874		932,947		1,144,821
Total expenditures	<u>9,594,674</u>	<u>1,586,451</u>	<u>932,947</u>	<u>16,190</u>	<u>12,130,262</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(311,967)	(17,944)	(481,211)	453,806	(357,316)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of equipment	14,680				14,680
Capital lease proceeds	185,209				185,209
Transfers in	89,867	19,413	481,211		590,491
Transfers (out)	(86,638)			(453,806)	(540,444)
Total other financing sources and (uses)	<u>203,118</u>	<u>19,413</u>	<u>481,211</u>	<u>(453,806)</u>	<u>249,936</u>
<b>NET CHANGE IN FUND BALANCES</b>	(108,849)	1,469	-	-	(107,380)
<b>FUND BALANCE-BEGINNING</b>	<u>628,759</u>	<u>28,074</u>	<u>-</u>	<u>208</u>	<u>657,041</u>
<b>FUND BALANCE-ENDING</b>	<u>\$ 519,910</u>	<u>\$ 29,543</u>	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ 549,661</u>

See the accompanying notes to the financial statements.

Elliott County School District  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities**  
Year ended June 30, 2020

<b>Net change in fund balances-total governmental funds</b>	<b>\$ (107,380)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions less costs of benefits earned net employee contributions	(263,983)
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.	
District OPEB contributions less costs of benefits earned net employee contributions	260,587
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	(443,687)
The premium paid for the sale of bonds is expensed under the current financial resources, but is the premium paid for the sale of bonds is capitalized and amortized over the life of the bonds in the statement of net position.	1,944
The discount on the sale of bonds is reported as an expenditure by current financial resources but it is deferred and amortized over the life of the bond on the statement of net position.	(3,820)
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.	(19,119)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	690,458
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	
Accrued interest payable	7,035
KSBIT payable	21,942
Noncurrent sick leave payable	14,229
<b>Change in net position of governmental activities</b>	<b>\$ 158,206</b>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
Year ended June 30, 2020

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 667,944	\$ 667,944	\$ 691,724	\$ 23,780
Motor vehicle	170,218	170,218	150,494	(19,724)
Unmined minerals	1,000	1,000	-	(1,000)
Utilities	295,000	295,000	313,389	18,389
Earnings on investments	15,000	15,000	13,796	(1,204)
Transportation	30,000	30,000	30,000	-
Other local revenue	76,026	86,026	109,694	23,668
Intergovernmental - state	5,587,176	5,363,945	5,360,271	(3,674)
Intergovernmental - federal	20,000	20,000	14,017	(5,983)
Total revenues	<u>6,862,364</u>	<u>6,649,133</u>	<u>6,683,385</u>	<u>34,252</u>
<b>EXPENDITURES</b>				
Instruction	3,955,908	3,828,681	3,598,829	229,852
Support services				
Student	84,117	126,550	115,588	10,962
Instructional staff	95,753	95,028	95,851	(823)
District administration	350,880	361,550	412,313	(50,763)
School administration	381,303	367,703	385,680	(17,977)
Business	296,738	303,896	338,584	(34,688)
Plant operation & maintenance	946,895	1,045,452	1,006,230	39,222
Student transportation	678,396	634,470	798,758	(164,288)
Community services operations	41,327	41,327	31,645	9,682
Debt service	212,423	212,423	211,874	549
Total expenditures	<u>7,043,740</u>	<u>7,017,080</u>	<u>6,995,352</u>	<u>21,728</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(181,376)	(367,947)	(311,967)	55,980
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of equipment	2,500	2,500	14,680	12,180
Capital lease proceeds			185,209	185,209
Transfers in	55,000	55,000	89,867	34,867
Transfers (out)	(82,497)	(102,016)	(86,638)	15,378
Total other financing sources and (uses)	<u>(24,997)</u>	<u>(44,516)</u>	<u>203,118</u>	<u>247,634</u>
<b>NET CHANGE IN FUND BALANCES</b>	(206,373)	(412,463)	(108,849)	303,614
<b>FUND BALANCE-BEGINNING</b>	<u>386,373</u>	<u>628,759</u>	<u>628,759</u>	<u>-</u>
<b>FUND BALANCE-ENDING</b>	<u>\$ 180,000</u>	<u>\$ 216,296</u>	<u>\$ 519,910</u>	<u>\$ 303,614</u>

\* The on-behalf payments (please see the accompanying notes to the financial statements) were not budgeted, therefore, to better compare the actual to the budgeted amounts these amounts were deducted from both revenue and expenditures in the amount of \$2,599,322.

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Special Revenue Fund**  
Year ended June 30, 2020

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
From local sources				
Earnings on investments	\$ -	\$ -	\$ 74	\$ 74
Student activities			6,162	6,162
Other local revenue	29,800	19,243	24,755	5,512
Intergovernmental - state	489,459	485,181	494,286	9,105
Intergovernmental - federal	956,765	1,441,699	1,043,230	(398,469)
Total revenues	<u>1,476,024</u>	<u>1,946,123</u>	<u>1,568,507</u>	<u>(377,616)</u>
<b>EXPENDITURES</b>				
Instruction	1,135,573	1,634,309	1,225,607	408,702
Support services				
Student			1,399	(1,399)
Instructional staff	106,303	106,474	138,467	(31,993)
Business	30,544	29,582	32,008	(2,426)
Plant operation & maintenance	29,800	10,000	14,957	(4,957)
Food service operation			5,038	(5,038)
Community services operations	189,076	180,549	168,975	11,574
Total expenditures	<u>1,491,296</u>	<u>1,960,914</u>	<u>1,586,451</u>	<u>374,463</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(15,272)	(14,791)	(17,944)	(3,153)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,272	14,791	19,413	4,622
Total other financing sources and (uses)	<u>15,272</u>	<u>14,791</u>	<u>19,413</u>	<u>4,622</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	1,469	1,469
<b>FUND BALANCE-BEGINNING</b>	-	-	28,074	28,074
<b>FUND BALANCE-ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,543</u>	<u>\$ 29,543</u>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Net Position**  
**Proprietary Fund**  
June 30, 2020

	<b>School Food Services</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 325,175
Receivables	
Inventories	8,958
Capital assets:	
Other capital assets, net of depreciation	12,190
Total assets	<u>346,323</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	31,107
Deferred outflows related to OPEB	11,236
Total deferred outflows of resources	<u>42,343</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>388,666</u></u>
<b>LIABILITIES</b>	
Net pension liability	136,166
Net OPEB liability	32,556
Total liabilities	<u>168,722</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	10,751
Deferred inflows related to OPEB	13,996
Total deferred inflows of resources	<u>24,747</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>193,469</u>
<b>NET POSITION</b>	
Net investment in capital assets	12,190
Restricted	183,007
Total net position	<u>195,197</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 388,666</u></u>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
Year ended June 30, 2020

	<b>School Food Services</b>
<b>OPERATING REVENUES</b>	
Lunchroom sales	\$ 44,752
Total operating revenues	<u>44,752</u>
<b>OPERATING EXPENSES</b>	
Depreciation	1,896
Food service operations	
Salaries and benefits	291,911
Operational	413,780
Total operating expenses	<u>707,587</u>
Operating income (loss)	(662,835)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Federal grants	646,126
State grants	55,664
Transfers	(50,047)
Earnings from investments	4,611
Total nonoperating revenues (expenses)	<u>656,354</u>
<b>CHANGE IN NET POSITION</b>	(6,481)
<b>NET POSITION-BEGINNING</b>	<u>201,678</u>
<b>NET POSITION-ENDING</b>	<u>\$ 195,197</u>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Cash Flows**  
**Proprietary Fund**  
Year ended June 30, 2020

	<b>School Food Services</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 44,752
Payments to suppliers	(405,064)
Payments to employees	(291,911)
Net cash provided (used) by operating activities	<u>(652,223)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating grants and contributions	701,790
Transfers to other funds	(50,047)
Net cash provided (used) by noncapital financing activities	<u>651,743</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Purchase of capital assets	-
Net cash provided (used) by capital financing activities	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	4,611
Net cash provided (used) by investing activities	<u>4,611</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,131
<b>CASH BALANCE-BEGINNING</b>	<u>321,044</u>
<b>CASH BALANCE-ENDING</b>	<u><u>325,175</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	(662,835)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,896
Changes in assets and liabilities:	
Receivables	5,730
Inventory	(1,300)
Deferrals assets	738
Deferrals liabilities	475
Pension liability	7,915
OPEB liability	(4,842)
Accounts payable and accrued expenses	-
Net cash provided (used) by operating activities	<u><u>\$ (652,223)</u></u>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the district received \$45,005 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$55,664 provided by state government.

See the accompanying notes to the financial statements.



Elliott County School District  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2020

	<u>SCHOOL ACTIVITY FUND</u>	<u>PRIVATE PURPOSE TRUST</u>	<u>FIDUCIARY FUNDS</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 108,687	\$ 107,251	\$ 215,938
Total assets	<u>108,687</u>	<u>107,251</u>	<u>215,938</u>
<b>LIABILITIES</b>			
Accounts payable	248		248
Due to student groups	108,439		108,439
Total liabilities	<u>108,687</u>	<u>-</u>	<u>108,687</u>
<b>NET POSITION HELD IN TRUST</b>			
Permanent fund		107,251	107,251
Total net position held in trust	<u>-</u>	<u>107,251</u>	<u>107,251</u>
<b>TOTAL LIABILITIES AND NET POSITION HELD IN TRUST</b>	<u>\$ 108,687</u>	<u>\$ 107,251</u>	<u>\$ 215,938</u>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Changes in Net Position**  
**Fiduciary Fund**  
Year ended June 30, 2020

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Earnings on investments	\$ 1,442
<b>Deductions</b>	
Benefits paid	<u>-</u>
<b>Change in net position</b>	1,442
<b>Net position held in trust, beginning</b>	<u>105,809</u>
<b>Net position held in trust, ending</b>	<u><u>\$ 107,251</u></u>

See accompanying notes to the financial statements.

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Elliott 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 District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the 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

Elliott County Board of Education Finance Corporation

The Board authorized establishment of the Elliott County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Elliott County Board of Education.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

### I. Governmental Fund Types

#### (A) General Fund

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

#### (B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of 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.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **(C) Capital Project Funds**

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

#### **SEEK Capital Outlay Fund**

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

#### **Building (FSPK) Fund**

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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.

#### **Construction Fund**

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

### **(D) Debt Service Fund**

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

## **II. Proprietary Funds (Enterprise Funds)**

#### **Food Service Fund**

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

The District applies all GASB pronouncements to proprietary funds.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### III. Fiduciary Fund Types

#### Agency Funds

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 "Accounting Procedures for Kentucky School Activity Funds," except for those accounted through the central office.

#### Private Purpose Trust

Private Purpose Trusts are maintained within MUNIS and account for revenues generated by trusts set up to benefit a specific location in Elliott County. An endowment was established February 1, 2010 by a grant of \$100,000 from the W. Paul and Lucille Caudill Little Foundation, Inc. to provide \$5,000 in operating costs per year to the Adkins-Caudill Performing Arts Center. It was to be held in a separately managed fiduciary account permanently designated for the Adkins-Caudill Performing Arts Center. This is a major fund of the District.

The original principal received remains in the net position on the statement of net position and is restricted for the trust principal. The net appreciation on investments available for expenditures is included in the restricted spendable net position on the statement of net position. The District's policy is to spend only investment income for the purposes of the Trust.

The District has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the District classifies as restricted permanent nonspendable (a) the original value of the gift donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanent nonspendable net position is classified as restricted permanent spendable net position until those amounts are appropriated for expenditure by the District in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the District considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the District
- The investment policies of the District

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **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, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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.

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

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

### **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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Inventories

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.

### Prepaid Assets

Payments made that will benefit periods beyond June 30, 2020 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

### 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 government funds. These assets are reported in the government activities column of the government-wide financial Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. 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 not.

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
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

### 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgment, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension and OPEB 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.

### Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

### Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors,

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

### Property Taxes

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

The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$.418 per \$100 valuation of real property, \$.426 per \$100 valuation for business personal property and \$.565 per \$100 valuation for motor vehicles.

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

### Operating and Non-Operating Revenues and Expenses

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

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

### In-Kind

Local contributions, which include contributed services provided by individuals, private organizations, and local governments, are used to match federal and state administered funding on various grants. The amounts of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

### Contributions of Capital

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

### Inter-fund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### Interfund Transfers

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

### 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's pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

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 two types of deferred inflows related to the net difference projected and actual earnings on pension and OPEB plan investments.

### 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 ("TRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Postemployment Benefits Other Than OPEBs (OPEB)

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Bond and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### Estimates

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

### Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, all amendments require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

### New Pronouncements

GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for the District's fiscal year ending June 30, 2020.

GASB issued Statement No. 95, *Postponement of the Effective dates of Certain Authoritative Guidance*, effective for the District's fiscal year ending June 30, 2020.

The adoption of GASB statement Numbers 88 and 95 did not have an impact on the District's financial position or results of operations.

The District will adopt the following new accounting pronouncements in future years:

GASB issued Statement No. 84, *Fiduciary Activities*, effective for the District's fiscal year ending June 30, 2021.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

GASB issued Statement No. 87, *Leases*, effective for the District's fiscal year ending June 30, 2022.

GASB issued Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, effective for the District's fiscal year ending June 30, 2022.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the District's fiscal year ending June 30, 2021.

GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for the District's fiscal year ending June 30, 2023.

GASB issued Statement No. 92, *Omnibus 2020*, effective for the District's fiscal year ending June 30, 2022.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the District's fiscal year ending June 30, 2022.

GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the District's fiscal year ending June 30, 2023.

The impact of these pronouncements on the District's financial statement has not been determined

### NOTE B – 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 \$1,012,646. The bank balance for the same time was \$1,298,250.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE C – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

<u>Governmental Activities</u>	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Land (non-depreciable)	\$ 452,007	\$ -	\$ -	\$ 452,007
Construction in progress (non-depreciable)	-	-	-	-
Land improvements	622,576	-	-	622,576
Buildings	29,766,382	-	-	29,766,382
Vehicles	2,448,269	272,076	349,492	2,370,853
General equipment	487,147	-	-	487,147
Total at historical cost	\$ 33,776,381	\$ 272,076	\$ 349,492	\$ 33,698,965
Less: Accumulated depreciation				
Land improvements	\$ 583,617	\$ 11,122	\$ -	\$ 594,739
Buildings	10,023,796	477,839	-	10,501,635
Vehicles	1,875,097	214,349	349,492	1,739,954
General equipment	405,994	12,453	-	418,447
Total accumulated depreciation	\$ 12,888,504	\$ 715,763	\$ 349,492	\$ 13,254,775
<u>Governmental Activities</u> Capital Assets-net	\$ 20,887,877	\$ (443,687)	\$ -	\$ 20,444,190
<u>Business-Type Activities</u>	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Buildings	\$ 162,717	\$ -	\$ -	\$ 162,717
General equipment	259,476	-	-	259,476
Total at historical cost	\$ 422,193	\$ -	\$ -	\$ 422,193
Less: Accumulated depreciation				
Buildings	\$ 162,717	\$ -	\$ -	\$ 162,717
General equipment	245,390	1,896	-	247,286
Total accumulated depreciation	\$ 408,107	\$ 1,896	\$ -	\$ 410,003
<u>Business-Type Activities</u> Capital Assets-net	\$ 14,086	\$ (1,896)	\$ -	\$ 12,190

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

### NOTE D – DEBT OBLIGATIONS

#### Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Elliott County School District Finance Corporation.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2020 are summarized below:

Bond Issues	Original Amount	Maturity Date	Interest Rates	2019 Bonds Outstanding	Additions	Retirements	2020 Bonds Outstanding
2012	\$ 4,500,000	8/1/2032	2.0-3.25%	\$ 3,960,000	\$ -	210,000	\$ 3,750,000
2012R	2,020,000	9/1/2023	.5 - 2.125%	990,000	-	225,000	765,000
2015	395,000	2/1/2035	3.1%	335,000	-	15,000	320,000
2005	290,000	8/1/2026	4.125%	130,000	-	15,000	115,000
2006	500,000	1/25/2021	QZAB	500,000	-	-	500,000
2016R	2,185,000	11/1/2027	1-2%	1,910,000	-	205,000	1,705,000
2014	1,205,000	5/1/1934	2.55-3.75	1,110,000	-	30,000	1,080,000
2013	595,000	8/1/2033	2.25-3.75	555,000	-	10,000	545,000
				9,490,000	-	710,000	8,780,000
Add:	Premium			13,420	-	1,944	11,476
Less:	Discount			(34,915)	-	(3,820)	(31,095)
				\$ 9,468,505	\$ -	\$ 708,124	\$ 8,760,381

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2020 for debt service, (principal and interest) are as follows:

Fiscal Year Ended June 30th	Principal		Interest		Principal Total	Interest Total
	Local	KSFCC	Local	KSFCC		
2021	353,016	871,984	128,457	81,592	1,225,000	210,049
2022	365,326	384,674	120,986	75,718	750,000	196,704
2023	377,494	392,506	113,042	68,241	770,000	181,283
2024	295,801	384,199	105,616	59,598	680,000	165,215
2025	277,539	362,461	98,684	51,152	640,000	149,836
2026-2030	1,596,703	1,308,297	365,015	141,793	2,905,000	506,808
2031-2035	1,338,557	471,443	94,052	27,574	1,810,000	121,626
	\$ 4,604,436	\$ 4,175,564	\$ 1,025,852	\$ 505,668	\$ 8,780,000	\$ 1,531,520

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Accumulated Sick Leave

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. The activity during fiscal year 2020 for accumulated sick leave is as follows:

		<b>2019 Outstanding Balance</b>		<b>Additions</b>		<b>Retirements</b>		<b>2020 Outstanding Balance</b>
Sick Leave	\$	91,474	\$	-	\$	14,229	\$	77,245

### KSBIT

The District elected to finance the worker's compensation insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-local School Transportation Association (KISTA). The activity during fiscal year 2020 for the worker's compensation and property and liability deficit are as follows:

<b>KSBIT Issues</b>		<b>Original Amount</b>	<b>Maturity Date</b>	<b>Interest Rates</b>		<b>2019 KSBIT Outstanding</b>		<b>Additions</b>		<b>Retirements</b>		<b>2020 KSBIT Outstanding</b>
KSBIT	\$	222,133	8/15/2024	2.0 - 3.25%	\$	141,669	\$	-	\$	21,942	\$	119,727

The minimum payments are as follows:

Fiscal			
Year Ended	Local	Total	
<u>June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2021	22,516	3,349	25,865
2022	23,201	2,663	25,864
2023	23,908	1,956	25,864
2024	24,652	1,212	25,864
2025	25,450	414	25,864
Totals	\$ 119,727	\$ 9,594	\$ 129,321

### Net Pension & OPEB Liability

The net pension liability is \$3,059,438 for governmental activities and \$136,166 for business-type activities for a total of \$3,195,604 as of June 30, 2020. (See Note G for additional information) The net OPEB liability is \$2,836,489 for governmental activities and \$32,556 for business-type activities for a total of \$2,869,045 as of June 30, 2020. (See Note I for additional information)



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

A summary of activity in bond obligations and other debts is as follows:

<b>Description</b>	<b>2019 Outstanding Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>2020 Outstanding Balance</b>	<b>Amount Due in One Year</b>
Bonds, Net of Premium and Discount	9,468,505	-	708,124	8,760,381	1,225,000
Capital Lease	758,030	185,209	165,667	777,572	111,746
Sick Leave	91,474	-	14,229	77,245	-
KSBIT	141,669	-	21,942	119,727	22,516
Net Pension Liability	2,868,899	326,705	-	3,195,604	-
Net OPEB Liability	3,359,571	-	490,526	2,869,045	-
Totals	<u>16,688,148</u>	<u>511,914</u>	<u>1,400,488</u>	<u>15,799,574</u>	<u>1,359,262</u>

### NOTE E – CAPITAL LEASE PAYABLE

The following is an analysis of the leased property under capital lease by class:

<b>KISTA Issue</b>	<b>Original Amount</b>	<b>Maturity Date</b>	<b>Interest Rates</b>	<b>2019 Lease Outstanding</b>	<b>Additions</b>	<b>Retirements</b>	<b>2020 Lease Outstanding</b>
Second Series 2015	284,961	3/1/2025	2.0-2.5%	167,192	-	27,801	139,391
2014	61,793	3/1/2024	2.0 - 2.625%	29,970	-	6,212	23,758
Third Series 2009	796,487	3/1/2020	2.0- 3.6%	76,336	-	76,336	-
Series 2017	374,948	3/1/2027	2.55%	294,567	-	35,124	259,443
Series 2019	189,965	3/1/2029	3.000%	189,965	-	20,194	169,771
Series 2020	185,209	3/1/2030	2.0-2.5%	-	185,209	-	185,209
				<u>758,030</u>	<u>185,209</u>	<u>165,667</u>	<u>777,572</u>

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2020:

<b>Fiscal Year Ended June 30th</b>	<b>Local Principal</b>	<b>Interest</b>	<b>Total Payments</b>
2021	111,746	19,094	130,840
2022	110,622	16,557	127,179
2023	109,519	13,871	123,390
2024	107,266	11,146.92	118,412.92
2025	104,369	8,433	112,802.42
2026-2030	<u>234,050</u>	<u>13,220</u>	<u>247,270</u>
	<u>\$ 777,572</u>	<u>\$ 82,323</u>	<u>\$ 859,895</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Total minimum lease payments	\$	859,895
Less: Amount representing interest		(82,323)
Present Value of Net Minimum Lease Payments	\$	777,572

### NOTE F – COMMITMENTS UNDER NON-CAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2020 are as follows:

<b>Fiscal Year Ended June 30,</b>	<b>Payment</b>
2021	\$ 3,360
2022	3,360
2023	3,360
2024	2,520
Total	\$ 12,600

Expenditures for equipment under operating leases for the year ended June 30, 2020 totaled \$7,656.

### NOTE G – RETIREMENT PLANS

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

#### Teachers Retirement System Kentucky (TRS)

*Plan description*—Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky—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 state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <http://www.trs.ky.gov/financial-reports-information>.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

*Contributions*—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Medical Insurance Plan

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

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

*Funding policy*—In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three point seventy-five percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2020 the District did not report a liability for the District's proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of TRS net pension liability	\$	-
Commonwealth's proportionate share of the TRS net pension liability associated with the District		<u>18,260,871</u>
	\$	<u><u>18,260,871</u></u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability 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, 2020, the District's proportion was 0.1338%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*Actuarial Methods and Assumptions*—The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28.1 years
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.5%
Projected Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2019:

- Municipal Bond Index Rate decreased to 3.5%

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 (with a set forward of 1 year for females and 2 years for males). The most recent experience study based on the results from July 1, 2010 – June 30, 2015 adopted by the Board on September 19, 2016.

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

The target 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	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories	7.0%	3.2%
Real Estate	7.0%	3.8%
Private Equity	7.0%	6.3%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$ 23,316,273	\$ 18,260,871	\$ 14,006,263

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at <http://www.TRS.ky.gov/>.

### County Employees Retirement System

*Plan description*—Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

*Benefits provided:* Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*Contributions:* Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2020, employers were required to contribute 24.06% of the member's salary. During the year ending June 30, 2020, the District contributed \$279,844 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

### CERS-Medical Insurance Plan

In addition to the CERS pension benefits described above, recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2019. At June 30, 2020, the District's proportion was 0.045437%.

District's proportionate share of CERS net pension liability	\$	3,195,604
Commonwealth's proportionate share of the CERS net pension liability associated with the District		<u>-</u>
	\$	<u><u>3,195,604</u></u>

For the year ended June 30, 2020, the District recognized pension expense of \$270,381. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 81,593	\$ 13,502
Changes of assumptions	323,431	-
Net difference between projected and actual earnings on pension plan investments	61,343	112,858
Changes in proportion and differences between District contributions and proportionate share of contributions	-	125,948
District contributions subsequent to the measurement date	<u>263,669</u>	<u>-</u>
	\$ <u>730,036</u>	\$ <u>252,308</u>

The \$263,669 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.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

	<b>Year Ended June 30,</b>
2021	\$ 146,787
2022	41,145
2023	22,474
2024	<u>3,653</u>
	\$ <u>214,059</u>

*Actuarial Methods and Assumptions*—The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions:



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2017:

- The assumed investment rate of return decreased to 6.25%.
- The assumed rate of inflation decreased to 2.30%.
- The Salary Increase changed to 3.30% to 11.55%.
- Phase-In provision added.

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

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	100.00%	

*Discount rate:* 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 members 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 assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of net pension liability to changes in the discount rate:* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 3,996,795	\$ 3,195,604	\$ 2,527,820

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

*Payables to the pension plan:* At June 30, 2020, there are no payables to CERS.

### 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 allowable by law. These plans are administered by an independent third-party administrator.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

### **NOTE H – ACCOUNTING STANDARDS STATEMENT NO. 75**

Government Accounting Standards Board (GASB) Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than OPEB's, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

Reporting under GASB 75 is effective for fiscal years commencing after June 15, 2017.

### **NOTE I – POSTEMPLOYMENT BENEFITS OTHER THAN OPEB**

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the postemployment benefits other than OPEB for both systems.

#### ***TRS – General Information about the OPEB Plans***

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

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

#### **Retiree Medical Plan funded by the Medical Insurance Fund**

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

At June 30, 2020, the District reported a liability of \$2,105,000 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, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was .071911 percent.

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

District's proportionate share of TRS net OPEB liability	\$	2,105,000
Commonwealth's proportionate share of the TRS net OPEB liability associated with the District		<u>1,700,000</u>
	\$	<u>3,805,000</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 509,000
Changes of assumptions	56,000	-
Net difference between projected and actual earnings on pension plan investments	9,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	145,000
District contributions subsequent to the measurement date	<u>184,072</u>	<u>-</u>
	\$ <u><u>249,072</u></u>	\$ <u><u>654,000</u></u>

The \$184,072 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 collective net OPEB liability for 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>
2021	\$ (115,000)
2022	(115,000)
2023	(110,000)
2024	(111,000)
2025	(86,000)
Thereafter	<u>(52,000)</u>
	\$ <u><u>(589,000)</u></u>

*Changes of Benefit Terms* - None

*Changes of Assumptions*- The amortization period decreased to 22 years and the Municipal Bond Index Rate decreased to 3.5%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*Actuarial Methods and Assumptions*—The total OPEB liability was determined using an actuarial valuation of the June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	22 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	8.0%, net of OPEB plan investment expense, includes price inflation
Municipal Bond Index Rate	3.5%
Investment Rate of Return	8.0%, net of OPEB plan investment expense, includes price inflation
Inflation	3.0%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.0%

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 (with a set forward of 1 year for females and 2 years for males). 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 pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation Percentage	30 Year Expected Geometric Real Rate of Return
Global Equity	58.00%	5.10%
Fixed Income	9.00%	1.20%
Real Estate	6.50%	3.80%
Private Equity	8.50%	6.30%
Additional Categories	17.00%	3.20%
Cash	1.00%	0.90%
Total	100.00%	

*Discount Rate:* The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2018. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%.
- The KEHP group retiree health care costs for members retired on or after July 1, 2010, were assumed to be paid by either the state or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$7.44 per member per month paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.

Future contributions to the MIF were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following MIF statutory contributions are to be decreased, suspended, or eliminated:

- Employee Contributions
- Employer Contributions
- State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if/when the MIF is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the actuarially determined contribution (ADC), as determined by the prior year's valuation and in accordance with the MIF's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In developing the adjustments to the statutory contributions in future years the following was assumed:

- Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
- A 0% active member growth rate was assumed for the purposes of developing estimates for new entrants (membership dates beyond June 30, 2018).

Based on these assumptions, the MIF's fiduciary net position was not projected to be depleted.

The following table presents the net OPEB liability of the Commonwealth associated with the District, calculated using the discount rate of 8.00%, as well as what the Commonwealth's 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 & State's proportionate share of net OPEB liability	\$ 2,493,000	\$ 2,105,000	\$ 1,779,000

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

	1% Decrease	Current Trend Rate	1% Increase
District & State's proportionate share of net OPEB liability	\$ 1,713,000	\$ 2,105,000	\$ 2,586,000

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

### **Other Post Employment Benefits Liabilities related to the Life Insurance Plan funded by - Life Insurance Plan (LIF)**

*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* - Effective July 1, 2000, the Kentucky Teachers' Retirement System shall:



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its members who are retired for service or disability. This life insurance benefit shall be payable upon the death of a member retired for service or disability to the member's estate or to a party designated by the member on a form prescribed by the retirement system; and
- Provide a life insurance benefit in a minimum amount of two thousand dollars (\$2,000) for its active contributing members. This life insurance benefit shall be payable upon the death of an active contributing member to the member's estate or to a party designated by the member on a form prescribed by the retirement system.

*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.

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

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

At June 30, 2020, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of TRS net OPEB liability	\$	-
Commonwealth's proportionate share of the TRS net OPEB liability associated with the District		<u>39,000</u>
	\$	<u><u>39,000</u></u>

For the year ended June 30, 2020, the District recognized OPEB revenue of \$254,265 for support provided by the State.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	30 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.5%
Investment Rate of Return	7.5%, includes price inflation
Inflation	3.0%
Real Wage Growth	0.5 %
Wage Inflation	3.5%
Salary Increase	3.5 to 7.45%, including wage inflation
Discount Rate	7.5%

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2019:

- Projected salary increases changed to 3.5-7.45%.
- Inflation rate decreased to 3.0%.
- Wage inflation decreased to 3.5%.
- Municipal bond index rate decreased to 3.5%.

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 (with a set forward of 1 year for females and 2 years for males). 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 long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash	2.0%	0.9%
	100.0%	

*Discount Rate:* The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2018. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.5%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the LIF's fiduciary net position was not projected to be depleted.

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

### ***CERS – General Information about the OPEB Plans***

#### **Other Pension Benefit Programs-Employees' Health Plan**

*Plan description* – Recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*Benefits provided* – Post Retirement Death Benefits – members with a least 4 years creditable service the System will pay a \$5,000 death benefit. Insurance benefits as described above.

*Contributions* - Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2019 was as follows:

Total medical benefit obligation	\$ 3,567,946,559
Net position available for benefits at actuarial value	<u>(2,523,248,929)</u>
Unfunded medical benefit obligation	<u><u>\$ 1,044,697,630</u></u>

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

At June 30, 2020, the District reported a liability of \$764,045 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was .04542600 percent.

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

District's proportionate share of net OPEB liability	\$ 764,045
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>-</u>
	<u><u>\$ 764,045</u></u>

For the year ended June 30, 2020, the District recognized OPEB revenue of 8,434. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 230,530
Changes of assumptions	226,088	1,512
Net difference between projected and actual earnings on pension plan investments	5,033	38,968
Changes in proportion and differences between District contributions and proportionate share of contributions	-	57,445
District contributions subsequent to the measurement date	32,580	-
	<u>\$ 263,701</u>	<u>\$ 328,455</u>

The \$35,580 (includes \$16,405 Implicit Subsidy) 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 collective net OPEB liability for 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:

	<b>Year Ended June 30,</b>
2021	\$ (17,966)
2022	(17,966)
2023	(7,177)
2024	(27,817)
2025	(22,342)
Thereafter	(4,066)
	<u>\$ (97,334)</u>

*Implicit Employer Subsidy-* The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

*Changes of Benefit Terms-*None

*Actuarial Methods and Assumptions—*The total OPEB liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation used the following actuarial methods and assumptions:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	26 years, closed
Asset Valuation Method	20% of difference between the market value of assets and the expected actuarial value of assets.
Price Inflation	2.30%
Salary Increase	3.30 - 11.55%, varies by service
Investment Return	6.25%
Payroll Growth	2.00%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 With Scale BB (set back 1 year females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over period of 11 years.
Healthcare Trend Rates (Phase-In)	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2019:

- Amortization period decreased to 26.
- Payroll growth rate decreased to 2.00%
- Investment return rate decreased to 6.25%.
- Inflation rate decreased to 2.30%.
- Salary increase changed to 3.30 – 11.55%.
- Health care trend rates Pre-65 changed to having an initial trend rate of 7.25% decreasing to 4.05% over 13 years.
- Health care trend rates Post-65 changed to having an initial trend rate of 5.10% decreasing to 4.05% over 11 years.
- Health care trend rates phase in provision was added.

*Discount rate:* The discount rate used to measure the total OPEB liability was 5.68%. The rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance plan investments was applied to all periods of the projected benefit payments paid from

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) that applies to CERS.

The following table presents the net OPEB liability of the District, calculated using the discount rate of 5.68%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	<b>1% Decrease</b> 4.68%	<b>Current</b> <b>Discount Rate</b> 5.68%	<b>1% Increase</b> 6.68%
District's proportionate share of net OPEB liability	\$ 1,023,506	\$ 764,045	\$ 550,266

*Sensitivity of the District's proportionate share of net OPEB liability to changes in the discount rate:*

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.68%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	<b>1% Decrease</b>	<b>Current</b> <b>Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of net OPEB liability	\$ 568,224	\$ 764,045	\$ 1,001,501

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

### NOTE J – PRIVATE PURPOSE TRUST

The District received an endowment from the W. Paul and Lucille Caudill Little Foundation, Inc. in the amount of \$100,000 to provide \$5,000 in operating costs per year to the Adkins-Caudill Performing Arts Center. The \$100,000 is the corpus and earnings of \$7,251.

### NOTE K – COMMITMENTS

The District has no commitments outstanding as of June 30, 2020.

### NOTE L – CONTINGENCIES

The District receives funding from Federal, State and Local governmental agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants,

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction the funds provided are being spent as intended and the grantors' intent to continue their program.

### NOTE M - LITIGATION

The District has no pending or threatened litigation involving amounts exceeding \$10,000 individually or in the aggregate as of June 30, 2020.

### NOTE N – 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, illegal acts, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers' Compensation insurance.

### NOTE O – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

The District purchases unemployment insurance through the Kentucky School Districts 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 coverage in any of the past three fiscal years.

### NOTE P – DEFICIT FUND AND OPERATING BALANCES

The following funds had a deficit change in fund balance/net position and/or deficit fund balance/net position:

<u>Fund</u>	<u>Change in Net Position</u>	
	<u>Net Change in Fund Balance</u>	
Business-type Activities/Proprietary Fund	\$	(6,481)
General Fund	\$	(108,849)

### NOTE Q – 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).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE R – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Debt Service	General Fund	Debt Service	Debt Payments	\$ 67,225
Debt Service	Capital Outlay	Debt Service	Debt Payments	34,898
Operations	Capital Outlay	Construction	Operating Costs	16,190
Debt Service	Building Fund	Debt Service	Debt Payments	379,088
Operations	Capital Outlay	General Fund	Operating Costs	39,820
Operations	Food Service	General Fund	Indirect Costs	50,047
Special Rev	General Fund	Special Revenue	KETS Matching	\$ 19,413

### NOTE S – ON-BEHALF PAYMENTS

For fiscal year 2020, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 and 75)	\$ 1,477,019
Health Insurance	1,170,504
Life Insurance	1,804
Administrative Fee	14,928
HRA/Dental/Vision	48,125
Federal Reimbursement	(122,091)
Technology	64,697
SFCC Debt Service Payments	451,736
Total	\$ <u>3,106,722</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

### NOTE T – RESTRICTED FUND BALANCES

The following funds had restricted fund balances.

<u>Fund</u>	<u>Restricted Fund Balance/ Net Position</u>	<u>Purpose</u>
Special Revenue Fund	\$ 29,543	District Activities
Private Purpose Trust	107,251	Scholarships
Proprietary	183,007	School Food Services
FSPK Fund	\$ 208	FSPK

### NOTE U – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 13, 2020, the date of the audit report.

ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**CERS and TRS**  
For the Year ended June 30, 2020

	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):</b>					
Districts' proportion of the net pension liability	0.04544%	0.04711%	0.04938%	0.052870%	0.05000%
District's proportionate share of the net pension liability	\$ 3,195,604	\$ 2,868,899	\$ 2,890,188	\$ 2,603,284	\$ 2,189,804
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-
Total	<u>\$ 3,195,604</u>	<u>\$ 2,868,899</u>	<u>\$ 2,890,188</u>	<u>\$ 2,603,284</u>	<u>\$ 2,189,804</u>
District's covered-employee payroll	\$ 1,207,174	\$ 1,160,030	\$ 1,166,293	\$ 1,183,416	\$ 1,187,072
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.72%	247.31%	247.81%	219.98%	184.47%
Plan fiduciary net position as a percentage of the total pension liability	50.54%	53.54%	53.30%	59.00%	59.97%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):</b>					
Districts' proportion of the net pension liability	0.013%	0.140%	0.146%	0.145%	0.145%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>18,260,871</u>	<u>18,281,526</u>	<u>39,335,714</u>	<u>42,776,336</u>	<u>33,760,088</u>
Total	<u>\$ 18,260,871</u>	<u>\$ 18,281,526</u>	<u>\$ 39,335,714</u>	<u>\$ 42,776,336</u>	<u>\$ 33,760,088</u>
District's covered-employee payroll	\$ 4,618,680	\$ 4,699,100	\$ 4,893,121	\$ 4,765,809	\$ 4,696,553
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.80%	35.22%	42.29%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30

ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS**  
**CERS and TRS**  
For the Year ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):</b>					
Contractually required contribution	\$ 263,669	\$ 254,210	\$ 217,667	\$ 229,969	\$ 201,659
Contributions in relation to the contractually required contributions	<u>263,669</u>	<u>254,210</u>	<u>217,667</u>	<u>229,969</u>	<u>201,659</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,176,458	\$ 1,207,174	\$ 1,160,030	\$ 1,166,293	\$ 1,183,416
District's contributions as a percentage of it's covered-employee payroll	22.41%	21.06%	18.76%	19.72%	17.04%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):</b>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,662,184	\$ 4,618,680	\$ 4,699,100	\$ 4,893,121	\$ 4,765,809
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSIONS**  
For the year ended June 30, 2020

**(1) CHANGES OF BENEFITS**

There were no changes of benefit terms for TRS or CERS.

**(2) CHANGES OF ASSUMPTIONS**

TRS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2019:

- Municipal Bond Index Rate decreased to 3.5%.

CERS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2019:

- The assumed investment rate of return decreased to 6.25%.
- The assumed rate of inflation decreased to 2.30%.
- The Salary Increase changed to 3.30% to 11.55%.
- Phase-In provision added.

**(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

TRS

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

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28.1 years
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.5%
Projected Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

CERS

The Board of Trustees uses this actuarial valuation to certify the employer contribution rates for CERS for the fiscal year beginning July 1, 2019 and ending June 30, 2020. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSIONS**  
For the year ended June 30, 2020

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM**  
Year ended June 30, 2020

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>MEDICAL INSURANCE PLAN</b>			
District's proportion of the collective net OPEB liability (asset)	0.07191%	0.07273%	0.07764%
District's proportionate share of the collective net OPEB liability (asset)	\$ 2,105,000	\$ 2,523,000	\$ 2,768,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>1,700,000</u>	<u>2,175,000</u>	<u>2,261,000</u>
Total	<u>\$ 3,805,000</u>	<u>\$ 4,698,000</u>	<u>\$ 5,029,000</u>
District's covered-employee payroll	\$ 4,618,680	\$ 4,699,100	\$ 4,893,121
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	45.58%	53.69%	56.57%
Plan fiduciary net position as a percentage of the total OPEB liability	32.60%	25.50%	21.20%
<b>LIFE INSURANCE PLAN</b>			
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>39,000</u>	<u>37,000</u>	<u>30,000</u>
Total	<u>\$ 39,000</u>	<u>\$ 37,000</u>	<u>\$ 30,000</u>
District's covered-employee payroll	\$ 4,618,680	\$ 4,699,100	\$ 4,893,121
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	75.00%	80.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS**  
**MEDICAL AND LIFE INSURANCE PLANS**  
**TEACHERS' RETIREMENT SYSTEM**  
Year ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>MEDICAL INSURANCE PLAN</b>			
Contractually required contribution	\$ 125,216	\$ 124,807	\$ 129,547
Contributions in relation to the contractually required contribution	<u>125,216</u>	<u>124,807</u>	<u>129,547</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,662,184	\$ 4,618,680	\$ 4,699,100
District's contributions as a percentage of it's covered-employee payroll	2.69%	2.70%	2.76%
<b>LIFE INSURANCE PLAN</b>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,662,184	\$ 4,618,680	\$ 4,699,100
District's proportionate share of the net pension liability as a percentage of it's 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. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -HEALTH INSURANCE PLAN**  
**COUNTY EMPLOYEE RETIREMENT SYSTEM**  
Year ended June 30, 2020

	<b>Reporting Fiscal Year (Measurement Date) 2020 (2019)</b>	<b>Reporting Fiscal Year (Measurement Date) 2019 (2018)</b>	<b>Reporting Fiscal Year (Measurement Date) 2018 (2017)</b>
<b>HEALTH INSURANCE PLAN</b>			
District's proportion of the collective net OPEB liability (asset)	0.04543%	0.04712%	0.04938%
District's proportionate share of the collective net OPEB liability (asset)	\$ 764,045	\$ 836,571	\$ 992,647
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-
Total	<u>\$ 764,045</u>	<u>\$ 836,571</u>	<u>\$ 992,647</u>
District's covered-employee payroll	\$ 1,207,174	\$ 1,160,030	\$ 1,166,293
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	63.29%	72.12%	85.11%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	13.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.



ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN COUNTY**  
**EMPLOYEE RETIREMENT SYSTEM**  
Year ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>HEALTH INSURANCE PLAN</b>			
Contractually required contribution	\$ 32,580	\$ 26,201	\$ 22,867
Contributions in relation to the contractually			
	<u>32,580</u>	<u>26,201</u>	<u>22,867</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,176,458	\$ 1,207,174	\$ 1,160,030
District's contributions as a percentage of it's covered-employee payroll	2.77%	2.17%	1.97%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB**  
For the year ended June 30, 2020

**TRS**

**(1) CHANGES OF BENEFIT TERMS**

There were no changes of benefit terms for the medical insurance fund or the life insurance fund.

**(2) CHANGES OF ASSUMPTIONS**

Medical Insurance Fund

- The amortization period decreased to 22 years
- Municipal Bond Index Rate decreased to 3.5%.

Life Insurance Fund

- Projected salary increases changed to 3.5-7.45%.
- Inflation rate decreased to 3.0%.
- Wage inflation decreased to 3.5%.
- Municipal bond index rate decreased to 3.5%.

**(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

Medical Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	22 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	8.0%, net of OPEB plan investment expense, includes price inflation
Municipal Bond Index Rate	3.5%
Investment Rate of Return	8.0%, net of OPEB plan investment expense, includes price inflation
Inflation	3.0%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.0%

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB**

For the year ended June 30, 2020

Life Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	30 years, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.5%
Investment Rate of Return	7.5%, includes price inflation
Inflation	3.0%
Real Wage Growth	0.5 %
Wage Inflation	3.5%
Salary Increase	3.5 to 7.45%, including wage inflation
Discount Rate	7.5%

**CERS**

Other Pension Benefit Programs-Employees' Health Plan

**(1) CHANGES OF BENEFIT TERMS**

There were no changes of benefit terms.

**(2) CHANGES OF ASSUMPTIONS**

- Amortization period decreased to 26.
- Payroll growth rate decreased to 2.00%
- Investment return rate decreased to 6.25%.
- Inflation rate decreased to 2.30%.
- Salary increase changed to 3.30 – 11.55%.
- Health care trend rates Pre-65 changed to having an initial trend rate of 7.25% decreasing to 4.05% over 13 years.
- Health care trend rates Post-65 changed to having an initial trend rate of 5.10% decreasing to 4.05% over 11 years.
- Health care trend rates phase in provision was added.

**(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

Recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

**ELLIOTT COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB**

For the year ended June 30, 2020

Contributions requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	26 years, closed
Asset Valuation Method	20% of difference between the market value of assets and the expected actuarial value of assets.
Price Inflation	2.30%
Salary Increase	3.30 - 11.55%, varies by service
Investment Return	6.25%
Payroll Growth	2.00%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 With Scale BB (set back 1 year females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.25% and gradually decreasing To an ultimate trend rate of 4.05% over period of 13 years.
Healthcare Trend Rates (Post 65)	Initial trend starting at 5.10% and gradually decreasing To an ultimate trend rate of 4.05% over period of 11 years.
Healthcare Trend Rates (Phase-In)	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

Elliott County School District  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
June 30, 2020

	<b>Other Governmental Funds</b>			
	<b>Capital Outlay</b>	<b>FSPK Fund</b>	<b>Construction Fund</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 208	\$ -	\$ 208
Total assets	-	208	-	208
<b>Fund Balances</b>				
Restricted		208		208
Total fund balances	\$ -	\$ 208	\$ -	\$ 208

Elliott County School District  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds**  
Year ended June 30, 2020

	<b>Other Governmental Funds</b>			
	<b>Capital Outlay</b>	<b>FSPK Fund</b>	<b>Construction Fund</b>	<b>Total</b>
<b>Revenues</b>				
Taxes				
Property	\$ -	\$ 112,524	\$ -	\$ 112,524
Intergovernmental - state	90,908	266,564		357,472
Total revenues	<u>90,908</u>	<u>379,088</u>	<u>-</u>	<u>469,996</u>
<b>Expenditures</b>				
Building improvements			16,190	16,190
Total expenditures	<u>-</u>	<u>-</u>	<u>16,190</u>	<u>16,190</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>90,908</u>	<u>379,088</u>	<u>(16,190)</u>	<u>453,806</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers (out)	(90,908)	(379,088)	16,190	(453,806)
Total other financing sources (uses)	<u>(90,908)</u>	<u>(379,088)</u>	<u>16,190</u>	<u>(453,806)</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance Beginning</b>	<u>-</u>	<u>208</u>		<u>208</u>
<b>Fund Balance Ending</b>	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ -</u>	<u>\$ 208</u>

Elliott County School District  
**Combining Balance Sheet - School Activity and Private Purpose Trust**  
June 30, 2020

	<b>SCHOOL ACTIVITY FUNDS</b>					
	<b>ELLIOTT CO. HIGH SCHOOL</b>	<b>ISONVILLE ELEMENTARY</b>	<b>LAKESIDE ELEMENTARY</b>	<b>SANDY HOOK ELEMENTARY</b>	<b>PRIVATE PURPOSE TRUST</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 68,985	\$ -	\$ 10,116	\$ 29,586	\$ 107,251	\$ 215,938
Total assets	<u>68,985</u>	<u>-</u>	<u>10,116</u>	<u>29,586</u>	<u>107,251</u>	<u>215,938</u>
<b>LIABILITIES</b>						
Accounts payable	248					248
Total liabilities	<u>248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248</u>
<b>FUND BALANCE</b>						
Trust activity					107,251	107,251
School activities	68,737	-	10,116	29,586		108,439
	<u>68,737</u>	<u>-</u>	<u>10,116</u>	<u>29,586</u>	<u>107,251</u>	<u>215,690</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 68,985</u>	<u>\$ -</u>	<u>\$ 10,116</u>	<u>\$ 29,586</u>	<u>\$ 107,251</u>	<u>\$ 215,938</u>

Elliott County School District  
**Combining Statement of Revenues, Expenses and Changes in Fund Balance-School Activity and Private Purpose Trust**  
Year ended June 30, 2020

	<b>SCHOOL ACTIVITY FUNDS</b>						
	<b>ELLIOTT CO. HIGH SCHOOL</b>	<b>ISONVILLE ELEMENTARY</b>	<b>LAKESIDE ELEMENTARY</b>	<b>SANDY HOOK ELEMENTARY</b>	<b>PRIVATE PURPOSE TRUST</b>	<b>TOTAL</b>	
<b>Revenues</b>							
Student/trust revenues	\$ 242,748	\$ 1,957	\$ 6,840	\$ 30,751	\$ 1,442	\$ 283,738	
<b>Expenditures</b>							
Student/trust activities	234,266	3,443	4,812	21,909		264,430	
<b>Excess (Deficit) of Revenues Over Expenses</b>	8,482	(1,486)	2,028	8,842	1,442	19,308	
<b>Fund Balance-Beginning</b>	<u>60,255</u>	<u>1,486</u>	<u>8,088</u>	<u>20,744</u>	<u>105,809</u>	<u>196,382</u>	
<b>Fund Balance-Ending</b>	<u>\$ 68,737</u>	<u>\$ -</u>	<u>\$ 10,116</u>	<u>\$ 29,586</u>	<u>\$ 107,251</u>	<u>\$ 215,690</u>	



Elliott County School District  
**Statement of Revenues, Expenses, and Changes in Fund Balance - Elliott County High School**  
Year ended June 30, 2020

	<b>FUND BALANCE BEGINNING</b>	<b>REVENUES</b>	<b>EXPENSES</b>	<b>TRANSFERS</b>	<b>FUND BALANCE ENDING</b>
GENERAL FUND	\$ 3,266	\$ 25,606	\$ 25,241	\$ -	\$ 3,631
SENIOR CLASS FUNDS	302	10,377	10,836	165	8
HS SCIENCE	5	-	-	-	5
ARCHERY	3,222	10,185	7,571	-	5,836
ELEMENTARY BASKETBALL	3,276	4,019	5,551	-	1,744
PROM 2020	164	225	-	(389)	-
FBLA/LEADERSHIP CLASS	1,453	24,132	25,498	-	87
ENVIRONMENTAL CLUB	344	-	-	-	344
ANNUAL	1,344	160	1,102	-	402
SOCCER	520	-	-	-	520
FCA	1,170	3,845	2,769	(575)	1,671
AP GEOGRAPHY	663	-	-	-	663
PEP CLUB	176	-	-	-	176
ELEMENTARY CHEERLEADING	627	-	-	-	627
DUNGEONS AND DRAGONS CLUB	221	-	-	-	221
LIONS/CUBS CLUB	-	235	-	-	235
DISTRICT ACTIVITY FUNDS	-	-	3,600	3,600	-
STARTUP/CHANGE FUND	-	1,600	1,600	-	-
JUNIOR CLASS	-	37	-	(37)	-
GENERAL II	150	-	-	-	150
FACULTY VENDING	1,368	1,751	2,352	-	767
DRAMA CLUB	8	278	189	-	97
BETA	1,303	2,846	1,241	-	2,908
BAND	4,515	9,073	6,688	-	6,900
JR BETA	35	9,981	8,926	-	1,090
FRESHMAN ACCOUNT	471	-	-	-	471
SOPHOMORE FUND	10	118	-	(128)	-
FCCLA	3,186	1,424	1,185	-	3,425
FFA	3,332	6,058	8,057	575	1,908
INDUSTRIAL ARTS	184	-	-	-	184
WELDING	-	230	199	-	31
ATHLETIC	10,046	26,333	31,053	(788)	4,538
7TH & 8TH ATHLETIC	287	18,035	17,048	-	1,274
HS ATHLETIC GIRLS	613	27,782	24,340	(250)	3,805
CROSS COUNTRY	1,053	2,029	2,811	-	271
TRACK	16	-	-	-	16
HS CHEERLEADING	3,777	20,371	14,574	(1,190)	8,384
7/8 CHEERLEADING	745	3,488	5,421	1,190	2
VOLLEYBALL	7	4,715	4,086	-	636
BASEBALL	1,285	10,340	8,064	-	3,561
SOFTBALL	219	-	215	-	4
GOLF 08-09	7	1,903	2,447	538	1
ROTC	2,795	2,676	2,765	500	3,206
LIBRARY	112	-	-	-	112
YEARBOOK ADS	2,626	-	-	-	2,626
ACADEMIC TEAM	507	-	313	-	194
JUNIOR CLASS (PROM)	1,380	7,547	5,415	389	3,901
8TH GRADE	331	-	-	(331)	-
7TH/8TH GRADE ACCOUNT	3,134	5,349	3,109	(3,269)	2,105
<b>TOTALS</b>	<b>\$ 60,255</b>	<b>\$ 242,748</b>	<b>\$ 234,266</b>	<b>\$ -</b>	<b>\$ 68,737</b>

ELLIOTT COUNTY SCHOOL DISTRICT  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2020

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Passed Through to Subrecipients</b>	<b>Program or Award Amount</b>	<b>Expenditures</b>
US Department of Agriculture					
Passed Through State Department of Education					
<b>School Breakfast Program</b>	10.553				
Fiscal Year 19		7760005 19	\$ -	\$ N/A	\$ 40,821
Fiscal Year 20		7760005 20	-	N/A	131,545
<b>National School Lunch Program</b>	10.555				
Fiscal Year 19		7750002 19	-	N/A	83,266
Fiscal Year 20		7750002 20	-	N/A	269,285
<b>Summer Food Service Program for Children</b>	10.559				
Fiscal Year 19		7690024 19	-	N/A	542
Fiscal Year 20		7690024 20	-	N/A	6,522
Fiscal Year 19		7740023 19	-	N/A	5,187
Fiscal Year 20		7740023 20	-	N/A	63,557
Child Nutrition Cluster Subtotal					<u>600,725</u>
<b>State Administrative Grant for Nutrition</b>	10.560				
Fiscal Year 19		7700001 19	-	N/A	3,064
<b>Fresh Fruits &amp; Vegetables</b>	10.582				
Fiscal Year 19		7720012 19	-	N/A	2,469
Fiscal Year 20		7720012 20	-	N/A	14,951
					<u>17,420</u>
Passed Through State Department of Agriculture					
<b>Food Donation-Commodities</b>	10.565				
Fiscal Year 20		510.4950	-	N/A	45,005
Total US Department of Agriculture					<u>666,214</u>
US Department of Education					
Passed Through State Department of Education					
* <b>Title I Grants to Local Educational Agencies</b>	84.010A				
Fiscal Year 19		3100002 19	-	435,553	16,077
Fiscal Year 20		3100002 20	-	477,224	477,224
					<u>493,301</u>
<b>Special Education Grants to States</b>	84.027A				
Fiscal Year 20		3810002 20	-	299,236	299,236
<b>Special Education-Preschool Grants</b>	84.173A				
Fiscal Year 20		3800002 20	-	19,669	19,669
Special Education Cluster Subtotal					<u>318,905</u>
<b>Title IV Part A</b>	84.424A				
Fiscal Year 19		3420002 19	-	35,132	723
Fiscal Year 20		3420002 20	-	36,181	36,181
					<u>36,904</u>
<b>Perkins</b>	84.048				
Fiscal Year 19		3710002 19	-		-
Fiscal Year 20		3710002 20	-	17,431	16,855
					<u>16,855</u>
<b>Teacher Quality</b>	84.367A				
Fiscal Year 19		3230002 18	-	57,600	11,165
Fiscal Year 20		3230002 19	-	62,282	62,282
					<u>73,447</u>
<b>Rural Education</b>	84.358				
Fiscal Year 20		3140002 19	-	19,777	19,777
<b>CARES Act Educational Stabilization Fund</b>	84.425D				
Fiscal Year 20		4000002 20	-	388,828	18,725
Total US Department of Education					<u>977,914</u>
US Department of Defense					
Passed directly from the US Department of the Army					
<b>ROTC</b>	12.000				
Fiscal Year 20		504E	-	N/A	43,685
Total US Department of Defense					<u>43,685</u>
Total Expenditure of Federal Awards					\$ <b>1,687,813</b>
* Major programs					

See the accompanying notes to the schedule of expenditures of federal awards.

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2020

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Elliott County School District under the programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Elliott 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 B – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2020, the District received food commodities totaling \$45,005.

**NOTE D – INDIRECT COST RATE**

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

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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 Board of Education of the Elliott County School District  
Sandy Hook, KY  
And the State Committee for School District Audits

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elliott County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Elliott County School District's basic financial statements, and have issued our report thereon dated November 13, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Elliott County School District's internal control over financial reporting (internal control) as a basis for designing 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 Elliott County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Elliott 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 Elliott 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Elliott County School District in a separate letter dated November 13, 2020.

**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.

*White & Associates, PSC*

Richmond, KY

November 13, 2020

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

To the Board of Education of the Elliott County School District  
Sandy Hook, KY  
And the State Committee of School District Audits

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

We have audited the Elliott 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 Elliott County School District's major federal programs for the year ended June 30, 2020. Elliott 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 Elliott 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 Districts' 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 Elliott 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 Elliott County School District's compliance.

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

In our opinion, the Elliott 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, 2020.

**Report on Internal Control over Compliance**

Management of the Elliott 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 Elliott 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 Elliott 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.

*White & Associates, PSC*

Richmond, KY

November 13, 2020

ELLIOTT COUNTY SCHOOL DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2020

**SUMMARY OF AUDITOR'S RESULTS**

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that is required to be reported as described in the Uniform Guidance?	No
Major Programs	Title I [CFDA 84.010A]
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	Yes

**FINDINGS - FINANCIAL STATEMENT AUDIT**

No findings at the financial statement level.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No findings at the major federal award programs level.



ELLIOTT COUNTY SCHOOL DISTRICT  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the year ended June 30, 2020

There were no prior year audit findings.

## MANAGEMENT LETTER POINTS

Elliott County School District  
Sandy Hook, Kentucky

In planning and performing our audit of the financial statements of the Elliott County School District for the year ended June 30, 2020, we considered the District's internal controls in order 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 13, 2020. This letter does not affect our report dated November 13, 2020, on the financial statements of the Elliott County School District. The conditions observed are as follows:

### ISONVILLE ELEMENTARY

#### 1-20

Statement of Condition: Instances of receipts not being deposited timely.

Recommendation for Correction: All monies should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100. The total of the deposit slip shall match the total receipts written since the last deposit. Each deposit shall be verified by a second person daily.

Management Response to the Recommendation: This location is no longer open; however, the administration is providing Redbook training for all bookkeepers at all locations to ensure everyone is aware and trained on properly managing, depositing and recording school funds. Bookkeepers will make deposits according to policy.

#### 2-20

Statement of Condition: Instances of all receipt numbers not being listed on deposit slip.

Recommendation for Correction: The school treasurer shall prepare deposit slips containing the issuers name and the amount of each check or retain a copy of all checks to be deposited. The deposit slip shall note the receipt numbers in the deposit.

Management Response to the Recommendation: This location is no longer open; however, the administration is providing Redbook training for all bookkeepers at all locations to ensure everyone is aware and trained on properly managing, depositing and recording school funds. Bookkeepers will list all receipt numbers on the deposit slip.

### 3-20

Statement of Condition: Monthly Financial Reports were not being submitted to the superintendent or finance officer at the close of each month (July, Dec, and Jan).

Recommendation for Correction: Monthly financial reports shall be prepared and submitted to the superintendent or finance officer no later than the 15<sup>th</sup> of the following month. The original shall be signed and reviewed for accuracy and reasonableness by the principal and submitted to the superintendent or finance officer and a copy retained in the files. A list of accounts payables and receivables shall accompany the report.

Management Response to the Recommendation: Email reminders will be sent to bookkeepers to ensure that monthly reports are submitted on time.

### LAKESIDE ELEMENTARY

No conditions

### SANDY HOOK ELEMENTARY

#### 4-20

Statement of Condition: Instances of all receipt numbers not being listed on deposit slip.

Recommendation for Correction: The school treasurer shall prepare deposit slips containing the issuers name and the amount of each check or retain a copy of all checks to be deposited. The deposit slip shall note the receipt numbers in the deposit.

Management Response to the Recommendation: The school treasurer will prepare deposit slips with the check numbers listed as well as the issuers name. The school treasurer will make copies of each check to be deposited and will note the receipt numbers in the deposit.

### ELLIOTT COUNTY HIGH SCHOOL

#### 5-20

Statement of Condition: Fund Raiser Worksheet (F-SA-2B) not being utilized for all fundraising events that require one.

Recommendation for Correction: For each fundraising event, the sponsor responsible for the administration of the fundraiser will fill out the Fund Raiser Worksheet (F-SA-2B). After completion of the fundraiser, the sponsor will submit the completed Fund Raiser Worksheet to the Principal for review. After review, the principal will give the Fund Raiser Worksheet to the school treasurer to file with other financial documents.

Management Response to the Recommendation: Sponsors will be required and reminded to submit the Fund Raiser Worksheet (F-SA-2B) to principal and treasurer after each fundraiser is completed.

6-20

Statement of Condition: Instances of receipts not being deposited timely.

Recommendation for Correction: All monies should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100. The total of the deposit slip shall match the total receipts written since the last deposit. Each deposit shall be verified by a second person daily.

Management Response to the Recommendation: Sponsors/teachers will be reminded to turn money in daily and treasurer will deposit money daily. Each deposit will be verified by a second person daily.

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

All prior year conditions have been implemented and corrected. Ms. Debbie Stephens, Superintendent is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer, Kristen Salyers, and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

*White & Associates, PSC*

White & Associates, PSC

Richmond, Kentucky

November 13, 2020