

METCALFE COUNTY SCHOOL DISTRICT

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

For the Year ended June 30, 2019

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
District-Wide Financial Statements:	
Statement of Net Position	8-9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position - Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17
Statement of Fiduciary Net Position - Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	19
Notes to Basic Financial Statements	20-39
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	40
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	41
Schedule of District's Proportionate Share of the CERS Net Pension Liability	42
Schedule of Contributions to CERS	43
Notes to Required Supplementary Information - CERS	44
Schedule of District's Proportionate Share of the KTRS Net Pension Liability	45
Schedule of Contributions to KTRS	46

TABLE OF CONTENTS (CONTINUED)

	Page(s)
Schedule of District's Proportionate Share of the CERS Net OPEB Liability	47
Schedule of Contributions to CERS - OPEB	48
Notes to Required Supplementary Information - CERS OPEB	49
Schedule of District's Proportionate Share of the KTRS Net OPEB Liability - Medical Insurance	50
Schedule of Contributions to KTRS - OPEB Medical Insurance	51
Notes to Required Supplementary Information - KTRS OPEB Medical Insurance	52
Schedule of District's Proportionate Share of the KTRS Net OPEB Liability - Life Insurance	53
Notes to Required Supplementary Information - KTRS Net OPEB Liability - Life Insurance	54
Other Supplementary Information:	
Combining Balance Sheet - Non-Major Governmental Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	56
Combining Statement of Revenues, Expenditures and Fund Balances - Activity Funds	57
Schedule of Receipts, Disbursements and Fund Balance High School Activity Fund	58-59
Schedule of Expenditures of Federal Awards	60-61
Notes to the Schedule of Expenditures of Federal Awards	62
Schedule of Findings and Questioned Costs	63-64
Schedule of Prior Year Audit Findings	65
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66-67
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance	68-69
Management Letter	70-71



WISE, BUCKNER, SPROWLES

& ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA
AUSTIN W. TEDDER, CPA

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Metcalf County School District
Edmonton, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Schools District Audits Independent Auditor's Contract, Appendix I of the Independent Auditor's Contract – Audit Extension Request, and Appendix II of the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification and Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of District's proportionate share of net pension liabilities and schedules of required contributions on Pages 3 through 7 and 42 through 57 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 District's basic financial statements. The additional information shown on Pages 58 through 62 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards on Pages 63 through 65 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are also not a required part of the basic financial statements.

The additional information shown on pages 58 through 62 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information shown on pages 46 through 50 and the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019, on our consideration of the Metcalf County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metcalf County School Districts internal control over financial reporting and compliance.

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, KY
November 12, 2019

METCALFE COUNTY SCHOOL DISTRICT
EDMONTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2019

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

FINANCIAL HIGHLIGHTS

The beginning unassigned general fund balance for the district was \$720,283.

Excluding inter-fund transfers, the General Fund had \$13,796,037 in receipts, which consisted primarily of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there was \$12,911,326 in General Fund expenditures.

The District's outstanding debt, excluding KISTA, is \$29,388,000 at the end of fiscal year 2019. The District reduced the outstanding bond debt by \$845,000 during fiscal year 2019.

The majority of General Fund revenues were derived from state sources, 67.88% and local taxes, 17.87%. Regular instruction, student support services, staff support services, and district and school administration account for 73% of the District expenditures. Central support service expenditures were pupil transportation 6%, maintenance and operations 8%, and business functions 3%.

The District's unrestricted operating fund (General Fund) had \$10,142,732 in revenues, excluding on-behalf payments and transfers, which consisted mainly of Ad Valorem taxes, State SEEK, and Utility tax receipts. Ad Valorem was 22%, state SEEK was 68%, and utility tax receipts was 7%.

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.

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

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

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

The district-wide financial statements can be found on pages 8 through 10 of this report.

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

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-39 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$2,621,536 as of June 30, 2019.

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

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

Net Position for the period ending June 30, 2019 as compared to June 30, 2018:

Assets	June 30, 2019	June 30, 2018
Current Assets	\$ 8,811,137	\$ 4,572,558
Capital Assets	34,688,947	34,125,383
Total Assets	43,500,084	38,697,941
Deferred Outflows of Resources		
Deferred amount on bond refunding	248,935	232,564
CERS	1,900,711	2,338,785
KTRS	231,315	-
Total Deferred Outflows of Resources	2,380,961	2,571,349
Liabilities		
Current Liabilities	2,621,702	1,390,819
Non-current Liabilities	39,467,800	37,410,711
Total Liabilities	42,089,502	38,801,530
Deferred Inflows of Resources		
CERS	743,007	698,427
KTRS	427,000	22,400
Total deferred inflows of resources	1,170,007	720,827
Net Position		
Investment in Capital Assets (net of debt)	5,346,137	7,179,547
Restricted	3,926,785	3,496,451
Unrestricted	(6,651,386)	(8,929,065)
Total Net Position	\$ 2,621,536	\$ 1,746,933

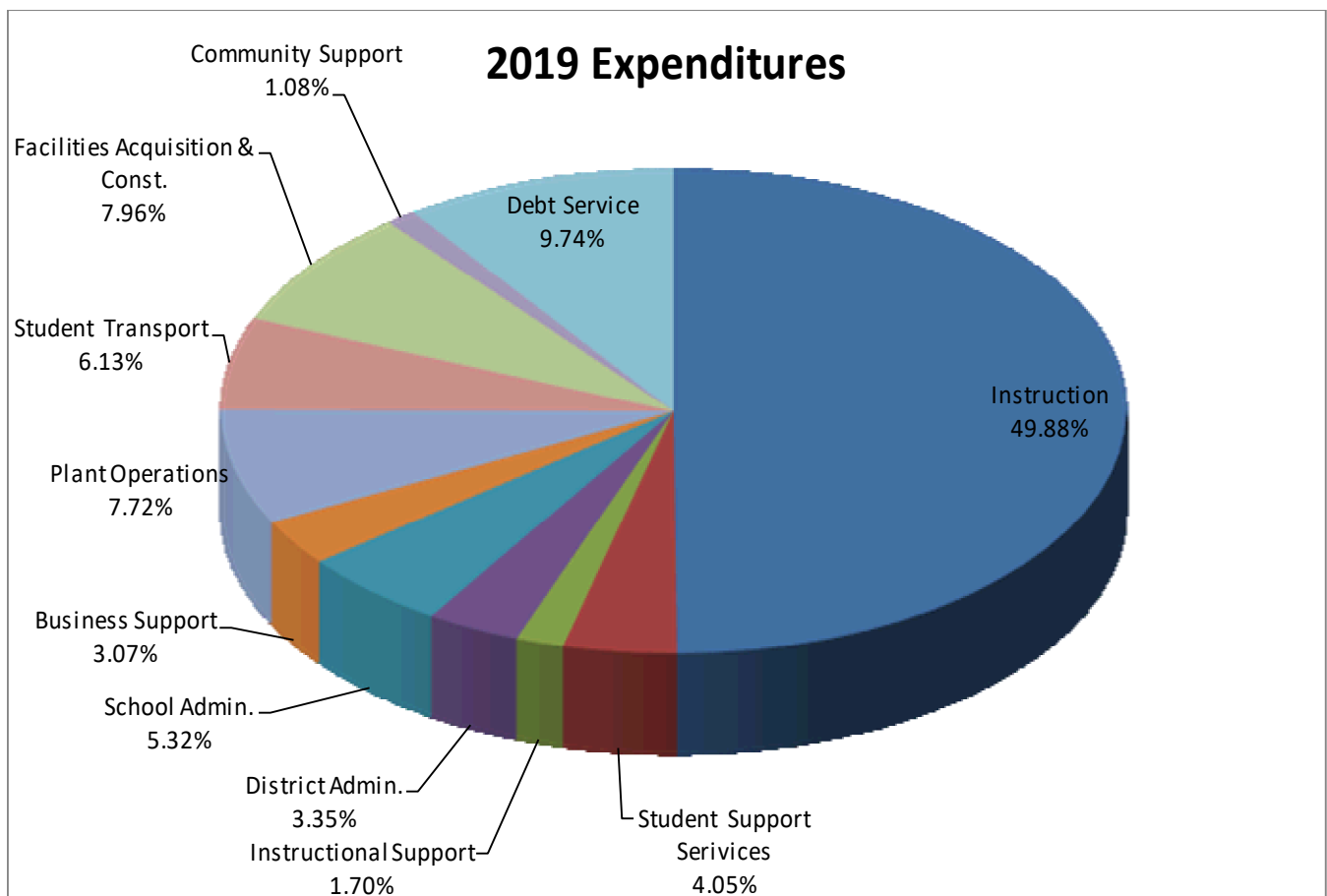
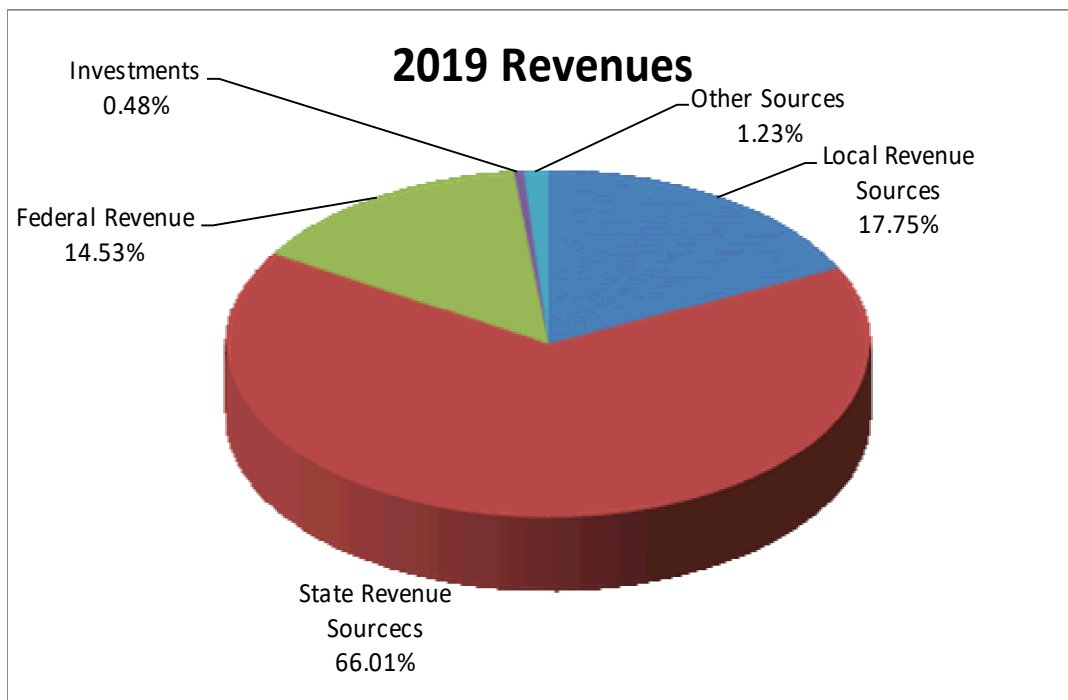
Comments on Budget Comparisons

- Excluding unbudgeted on-behalf payments of \$1,847,155, the General Fund budget compared to actual revenue varied slightly from line item to line item with ending actual balance being \$264,989 more than budgeted due in large part to a generally conservative budgeting approach.
- Actual General Fund expenditures, net of unbudgeted on-behalf payments of \$1,847,155 compared to budget expenditures, net of contingency allotments, was \$911,657 less than budget.

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

	<u>2019</u>	<u>2018</u>
Revenues		
Local sources	\$ 3,377,607	\$ 3,379,155
State sources	12,561,499	12,840,460
Federal sources	2,764,214	2,440,506
Other sources	<u>326,188</u>	<u>255,145</u>
Total Revenues	19,029,508	18,915,266
Expenditures		
Instruction	9,593,037	9,983,035
Student support	779,564	684,855
Inst. Support	327,813	480,743
District Admin	643,604	617,464
School Admin	1,024,253	1,270,296
Business support	591,096	534,902
Plant operations	1,484,057	1,519,492
Student transp	1,179,153	1,081,948
Comm service operations	207,122	190,081
Land/Site Acquisitions	1,530,054	194,097
Debt service	<u>1,873,025</u>	<u>1,870,214</u>
Total Expenditures	<u>19,232,778</u>	<u>18,427,127</u>
Excess (deficiency) before other financing sources(uses)	(203,270)	488,139
Other financing sources(uses) net	<u>3,349,713</u>	<u>68,499</u>
Revenues Over/(Under) Expenditures	<u><u>\$ 3,146,443</u></u>	<u><u>\$ 556,638</u></u>

The following pie charts are included as additional illustrations of the District's revenues and expenses for the year ended June 30, 2019:



GENERAL FUND REVENUE SOURCES

General fund receipts in FY 2019 were derived from three sources: local taxes account for 17.75 percent of all revenue; state sources were responsible for 66.01 percent of general fund revenue; federal sources totaled 14.53 percent; and an additional .48 percent came from investment income, the sale of property and other miscellaneous fees.

GENERAL FUND EXPENDITURE CATEGORIES

General Fund expenditures in FY 2019 were spread among more than one dozen functions.

<u>Expenditure Category</u>	<u>Percent</u>
Instructional Activities (<i>teachers, instructional assistants, instructional supplies, materials & equipment</i>)	50
Plant Operations	7.7
Student Transportation	6.1
School Administration Support (principal's offices)	5.3
Student Support Services (<i>pupil attendance, guidance, social work, health, psychologist, speech pathologists, occupational and physical therapy, services for the visually impaired</i>)	4
Instructional Staff Support	1.7
District Administration Support (<i>board of ed, office of superintendent</i>)	3.3
Business Support Services	3.1
Community Services, Site Improvement, Debt Service & Fund Transfers (<i>Local Technology Match</i>)	18.8
Other Services	0

FUTURE BUDGETARY IMPLICATIONS

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

Questions regarding this report should be directed to Dr. Benny Lile, Superintendent, Stacey Slinker, Finance Officer or Donna Caffee, Chief Financial Analyst at 270-432-3171 or by mail at 709 W. Stockton Street, Edmonton, Kentucky 42129.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets:			
Cash & Cash Equivalents	\$ 4,272,691	\$ 400,921	\$ 4,673,612
Investments, restricted	3,601,744	-	3,601,744
Inventories for Consumption	-	23,005	23,005
Accounts Receivable			
Taxes - Current	79,945	-	79,945
Taxes - Delinquent	7,256	-	7,256
Other Accounts Receivable	14,380	-	14,380
Intergovernmental - State	-	-	-
Intergovernmental - Federal	402,508	8,687	411,195
Total current assets	<u>8,378,524</u>	<u>432,613</u>	<u>8,811,137</u>
Noncurrent Assets:			
Land	174,705	-	174,705
Capital Assets net of			
Accumulated depreciation	34,241,183	273,059	34,514,242
Total noncurrent assets	<u>34,415,888</u>	<u>273,059</u>	<u>34,688,947</u>
Total Assets	<u>42,794,412</u>	<u>705,672</u>	<u>43,500,084</u>
Deferred Outflows of Resources			
Deferred charge on debt refundings	124,259	-	124,259
Bond Discount	124,676	-	124,676
CERS OPEB Deferred Outflows	412,386	62,237	474,623
KTRS OPEB Deferred Outflows	231,315	-	231,315
CERS Pension Deferred Outflows	1,237,745	188,343	1,426,088
Total deferred outflows of resources	<u>2,130,381</u>	<u>250,580</u>	<u>2,380,961</u>

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - CONTINUED
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 1,152,865	\$ 107,572	\$ 1,260,437
Accrued Interest Payable	134,130	-	134,130
Other Accrued Liabilities	143,095	-	143,095
Current portion of bond obligations	895,000	-	895,000
Current portion of capital leases	24,294	-	24,294
Current portion of accrued sick leave	59,254	-	59,254
Unearned revenue	105,492	-	105,492
Total Current liabilities	<u>2,514,130</u>	<u>107,572</u>	<u>2,621,702</u>
Noncurrent liabilities:			
Noncurrent portion of bond obligations	28,493,000	-	28,493,000
Noncurrent portion of capital leases	179,451	-	179,451
Noncurrent portion of accrued sick leave	59,254	-	59,254
Net CERS OPEB Liability	1,396,169	223,459	1,619,628
Net KTRS OPEB Liability	3,551,000	-	3,551,000
Net Pension Liability	4,789,341	766,540	5,555,881
Other non-current liabilities	9,586	-	9,586
Total noncurrent liabilities	<u>38,477,801</u>	<u>989,999</u>	<u>39,467,800</u>
Total liabilities	<u>40,991,931</u>	<u>1,097,571</u>	<u>42,089,502</u>
Deferred Inflows of Resources			
CERS OPEB	265,054	42,422	307,476
KTRS OPEB	427,000	-	427,000
CERS Pension	375,981	59,550	435,531
Total deferred inflows of resources	<u>1,068,035</u>	<u>101,972</u>	<u>1,170,007</u>
Net Position			
Net Investment in Capital Assets	5,073,078	273,059	5,346,137
Restricted for			
Debt Service	3,601,744	-	3,601,744
Food Service	-	325,041	325,041
Unrestricted	(5,809,995)	(841,391)	(6,651,386)
Total Net Position	<u>\$ 2,864,827</u>	<u>\$ (243,291)</u>	<u>\$ 2,621,536</u>

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instructional	\$ 9,877,323	\$ -	\$ 2,586,735	\$ -	\$ (7,290,588)	\$ -	\$ (7,290,588)
Support Services							
Student Support Services	782,319	-	146,645	-	(635,674)	-	(635,674)
Staff Support Services	336,668	-	2,547	-	(334,121)	-	(334,121)
District Administration	649,087	-	-	-	(649,087)	-	(649,087)
School Administration	1,027,025	-	-	-	(1,027,025)	-	(1,027,025)
Business Support Services	591,096	-	-	-	(591,096)	-	(591,096)
Plant Operation & Maintenance	668,089	13,500	-	-	(654,589)	-	(654,589)
Student Transportation	1,350,815	-	-	-	(1,350,815)	-	(1,350,815)
Community Service Operations	207,122	-	187,753	-	(19,369)	-	(19,369)
Facilities Acquisition & Construction	1,530,054	-	-	833,424	(696,630)	-	(696,630)
Interest on Long-Term Debt	988,597	-	-	-	(988,597)	-	(988,597)
Total Governmental Activities	18,008,195	13,500	2,923,680	833,424	(14,237,591)	-	(14,237,591)
Business-Type Activities							
Food Service	1,644,359	46,312	1,384,730	-	-	(213,317)	(213,317)
Total business-type activities	1,644,359	46,312	1,384,730	-	-	(213,317)	(213,317)
Total primary government	<u>\$ 19,652,554</u>	<u>\$ 59,812</u>	<u>\$ 4,308,410</u>	<u>\$ 833,424</u>	(14,237,591)	(213,317)	(14,450,908)
General Revenues:							
Taxes					3,377,607	-	3,377,607
State Aid - Formula Grants					11,610,475	67,808	11,678,283
Investment Earnings					91,172	1,535	92,707
Miscellaneous					179,650	-	179,650
Special items:							
Gain(Loss) Sale of Assets					(3,736)	1,000	(2,736)
Transfers					73,057	(73,057)	-
Total general and special					<u>15,328,225</u>	<u>(2,714)</u>	<u>15,325,511</u>
Change in net position					1,090,634	(216,031)	874,603
Net position - Beg					1,774,193	(27,260)	1,746,933
Net position - ending					<u>\$ 2,864,827</u>	<u>\$ (243,291)</u>	<u>\$ 2,621,536</u>

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Special Revenue	Construction Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets and resources:						
Cash & Cash Equivalents	\$ 1,412,882	\$ -	\$ 2,859,809	\$ -	\$ -	\$ 4,272,691
Investments, restricted	-	-	-	3,601,744	-	3,601,744
Accounts Receivable:						
Taxes - Current	79,945	-	-	-	-	79,945
Taxes - Delinquent	7,256	-	-	-	-	7,256
Other Accounts Receivable	14,380	-	-	-	-	14,380
Interfund Receivable	297,016	-	-	-	-	297,016
Intergovernmental - State	-	-	-	-	-	-
Intergovernmental - Federal	-	402,508	-	-	-	402,508
Total assets and resources	<u>\$ 1,811,479</u>	<u>\$ 402,508</u>	<u>\$ 2,859,809</u>	<u>\$ 3,601,744</u>	<u>\$ -</u>	<u>\$ 8,675,540</u>
Liabilities and fund balance:						
Liabilities:						
Checks Issued in Excess of Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	75,693	-	1,077,172	-	-	1,152,865
Other Accrued Liabilities	143,095	-	-	-	-	143,095
Accrued Sick Leave	59,254	-	-	-	-	59,254
Interfund Payable	-	297,016	-	-	-	297,016
Unearned Revenues	-	105,492	-	-	-	105,492
Total Liabilities	<u>278,042</u>	<u>402,508</u>	<u>1,077,172</u>	<u>-</u>	<u>-</u>	<u>1,757,722</u>
Fund balance						
Restricted - Debt Service	-	-	-	3,601,744	-	3,601,744
Restricted - Future Construction Projects	-	-	1,782,637	-	-	1,782,637
Restricted - Other	-	-	-	-	-	-
Committed - Sick Leave Payable	59,254	-	-	-	-	59,254
Assigned -Purchase Obligations	41,035	-	-	-	-	41,035
Unassigned Fund Balance	1,433,148	-	-	-	-	1,433,148
Total Fund Balance	<u>1,533,437</u>	<u>-</u>	<u>1,782,637</u>	<u>3,601,744</u>	<u>-</u>	<u>6,917,818</u>
Total liabilities and fund balance	<u>\$ 1,811,479</u>	<u>\$ 402,508</u>	<u>\$ 2,859,809</u>	<u>\$ 3,601,744</u>	<u>\$ -</u>	<u>\$ 8,675,540</u>

See accompanying notes to financial statements.

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

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

Total governmental fund balance	\$ 6,917,818
---------------------------------	--------------

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	\$ 49,723,839	
Accumulated Depreciation	<u>(15,307,951)</u>	34,415,888
Deferred Inflows	(1,068,035)	
Deferred Outflows	2,130,381	
Net OPEB liability	(4,947,169)	
Net pension liability	<u>(4,789,341)</u>	(8,674,164)

Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Accrued Interest Payable	(134,130)	
Bonds Payable	(29,388,000)	
Capital Lease Payable	(203,745)	
KSBIT Payable	(9,586)	
Accrued Sick Leave	<u>(59,254)</u>	<u>(29,794,715)</u>

Total net position - governmental activities	<u>\$ 2,864,827</u>
--	---------------------

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General	Special Fund	Construction Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 2,931,157	\$ -	\$ -	\$ -	\$ 446,450	\$ 3,377,607
Earnings on Investments	11,765	153	1,896	77,358	-	91,172
Intergovernmental - State	10,622,986	641,689		463,400	833,424	12,561,499
Intergovernmental - Federal	36,979	2,240,125		487,110	-	2,764,214
Other Sources	193,150	41,866		-	-	235,016
Total revenues	13,796,037	2,923,833	1,896	1,027,868	1,279,874	19,029,508
Expenditures:						
Instructional	6,977,370	2,615,667	-	-	-	9,593,037
Student Support Services	632,919	146,645	-	-	-	779,564
Staff Support Services	325,266	2,547	-	-	-	327,813
District Administration	643,604	-	-	-	-	643,604
School Administration	1,024,253	-	-	-	-	1,024,253
Business Support Services	591,096	-	-	-	-	591,096
Plant Operation & Maintenance	1,484,057	-	-	-	-	1,484,057
Student Transportation	1,179,153	-	-	-	-	1,179,153
Community Service Operations	19,369	187,753	-	-	-	207,122
Land/Site Acquisitions	34,239	-	1,495,815	-	-	1,530,054
Debt Service:						
Principal	-	-	-	895,696	-	895,696
Interest	-	-	-	977,329	-	977,329
Total expenditures	12,911,326	2,952,612	1,495,815	1,873,025	-	19,232,778
Excess(deficit) revenues over expenditures	884,711	(28,779)	(1,493,919)	(845,157)	1,279,874	(203,270)
Other financing sources (uses):						
Proceeds from Sale of Assets	100	-	-	-	-	100
Bond Proceeds	-	-	3,310,000	-	-	3,310,000
Bond Discount	-	-	(33,444)	-	-	(33,444)
Operating Transfers In	73,057	28,779	-	1,395,809	-	1,497,645
Operating Transfers Out	(144,714)	-	-	-	(1,279,874)	(1,424,588)
Total other financing sources (uses)	(71,557)	28,779	3,276,556	1,395,809	(1,279,874)	3,349,713
Net change in fund balances	813,154	-	1,782,637	550,652	-	3,146,443
Fund balances - beginning	720,283	-	-	3,051,092	-	3,771,375
Fund balances - ending	\$ 1,533,437	\$ -	\$ 1,782,637	\$ 3,601,744	\$ -	\$ 6,917,818

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

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

Net changes - governmental funds \$ 3,146,443

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets exceeds depreciation expense for the year.

Depreciation Expense	\$ (1,203,075)	
Capital Outlays	1,749,209	546,134

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond Proceeds	(3,310,000)	
Bond Principal Paid	845,000	
Capital Lease Paid	28,445	
Loans Paid	23,210	(2,413,345)

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	4,846	
Accrued Sick Leave	1,687	
KSBIT Payable	9,584	
Deferred Outflows	(133,739)	
Net OPEB Liability	555,579	
Net Pension Liability	(183,930)	
Deferred Inflows	(438,789)	(184,762)

In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.

Sale of Asset net of Gain	(3,836)	(3,836)

Changes - net position governmental funds \$ 1,090,634

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Food Service Fund
Assets:	
Current Assets	
Cash & Cash Equivalents	\$ 400,921
Accounts Receivable	8,687
Inventories for Consumption	23,005
Total Current Assets	<u>432,613</u>
Noncurrent Assets	
Capital Assets net of Accumulated Depreciation	<u>273,059</u>
Total Noncurrent Assets	<u>273,059</u>
Total assets	<u>705,672</u>
Deferred outflow of resources:	
CERS OPEB	62,237
CERS Pension	188,343
Total deferred outflow of resources	<u>250,580</u>
Liabilities:	
Current Liabilities	
Accounts Payable	107,572
Total Current Liabilities	<u>107,572</u>
Noncurrent Liabilities:	
Net OPEB liability	223,459
Net pension liability	766,540
Total Noncurrent Liabilities	<u>989,999</u>
Total liabilities	<u>1,097,571</u>
Deferred inflows of resources:	
CERS OPEB	42,422
CERS Pension	59,550
Total deferred inflows of resources	<u>101,972</u>
Net Position	
Net Investment in Capital Assets	273,059
Restricted:	
Food Service	325,041
Other	(841,391)
Total Net Position	<u><u>\$ (243,291)</u></u>

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Food Service Fund
Operating Revenues:	
Lunchroom Sales	\$ 46,312
Total operating revenues	46,312
Operating Expenses:	
Salaries & Benefits	769,236
Contract Services	15,500
Materials & Supplies	718,130
Depreciation - Note F	25,105
Other Operating Expenses	116,388
Total operating expenses	1,644,359
Operating income (loss)	(1,598,047)
Nonoperating Revenues (Expenses):	
Federal Grants	1,182,780
State Grants	201,950
Donated Commodities	67,808
Sale of Equipment	1,000
Interest Income	1,535
Total nonoperating revenues (expenses)	1,455,073
Income (loss) before capital contributions and transfers	(142,974)
Net transfers	(73,057)
Change in net position	(216,031)
Total net position - beginning	(27,260)
Total net position - ending	\$ (243,291)

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

Cash Flows From Operating Activities:

Cash Received From	
Lunchroom sales	\$ 46,312
Cash paid to/for	
Employees	(460,111)
Supplies	(550,605)
Other activities	(131,887)
	<u>(1,096,291)</u>
Net cash provided (used) by operating activities	(1,096,291)

Cash Flows From Noncapital Financing Activities:

State Grants	9,804
Transfer out	(73,057)
Federal Grants	1,188,322
	<u>1,125,069</u>
Net cash provided (used) by noncapital financing activities	1,125,069

Cash Flows From Capital Financing Activities:

Purchase of Assets	(46,371)
Proceeds from sale of assets	1,000
	<u>(45,371)</u>
Net cash provided (used) by noncapital financing activities	(45,371)

Cash Flows From Investing Activities:

Receipt of interest income	1,535
	<u>1,535</u>
Net cash provided (used) by investing activities	1,535
	<u>(15,058)</u>
Net increase (decrease) in cash and cash equivalents	(15,058)

Balances, Beginning of Year	<u>415,979</u>
-----------------------------	----------------

Balances, End of Year	<u><u>\$ 400,921</u></u>
-----------------------	--------------------------

Reconciliation of change in net income to net cash provided (used) by operating activities:

Operating Income (Loss)	\$ (1,598,047)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	25,105
State On-Behalf Payments	192,146
Gasb 68 pension expense	96,724
Gasb 75 pension expense	20,255
Donated Commodities	67,808
Change in assets and liabilities	
Increase (Decrease) in Payables	107,192
(Increase) Decrease in Inventory	(7,474)
	<u>(1,096,291)</u>
Net cash provided (used) by operating activities	<u><u>\$ (1,096,291)</u></u>

Schedule of non-cash transactions:

On Behalf Payments from the State for Employee Benefits	\$ 192,146
Donated Commodities Received from Federal Government	67,808
Gasb 68 & Gasb 75 expenses (net)	116,979

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash and Cash Equivalents	\$ 866	\$ 147,983
Accounts Receivable	-	1,962
Total assets	<u>866</u>	<u>149,945</u>
Liabilities		
Accounts Payable	-	1,890
Due to Student Groups	-	148,055
Total liabilities	<u>-</u>	<u>149,945</u>
Net position held in trust	<u>\$ 866</u>	<u>\$ -</u>

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2019

	Private Purpose Trust Fund
Additions	
Scholarship Funds Contributed	\$ 2,866
Deductions	
Benefits Paid	(2,000)
Changes in Net Position	866
Net position - beginning of year	-
Net position - end of year	\$ 866

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Metcalfe County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of the organizations.

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

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

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

Basis of Presentation

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

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

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.

In the District-wide Statement of Net Position and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

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

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on Pages 46 and 47. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund). The District's Capital Project Funds include:
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

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

Operating revenues in the proprietary funds are the revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust Fund consists of teacher contributions and disbursements for student scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 60 days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. 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 non-exchange transactions must also be available before it can be recognized.

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

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 of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported in inventory.

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were \$0.536 per \$100 valuation for real property, \$0.536 per \$100 valuation for business personal property, and \$0.566 per \$100 valuation for motor vehicles. An assessment of \$0.116 per \$100 for real and tangible property is included and is restricted for allocation to the Building Fund

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

Capital Assets

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

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board policy has set the capitalization threshold for reporting capital assets at \$5,000. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	50 years
Building Improvements	25 years
Technology Improvements	5 years
School Buses	10 years
Vehicles	5 years
Food Service Equipment	12 years
Audio-Visual Equipment	15 years
Other General Equipment	10 years

Inter-fund Balances

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

Budgetary Process

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

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

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

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

On-behalf payments were not considered in the budget.

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

Cash and Cash Equivalents

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

Investments

The District’s investments consist of deposits made in escrow for future debt service requirements for the District’s Series 2011 Qualified School Construction Bonds and invested by the Bank of New York Mellon, Louisville, KY the Escrow Agent for the bond issue. Investments are recorded at fair value.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Enterprise Fund. Inventory consists of donated and purchased food held for resale and is expensed when used. Purchased food is valued at cost and the U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

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

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

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 Kentucky Retirement System (CERS) and additions to/deductions from TRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by TRS and 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.

Fund Balance Reserves

- Non-spendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balances-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balances-amounts that are available for any purpose; positive amounts are reported only in the General Fund

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's board has provided otherwise in its commitment or assignment actions.

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools. Expenses are primarily payroll, food costs and supply purchases.

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating 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.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Board's policy is to apply restricted net position first.

Pensions

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

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2019, \$4,951,228 of the District's bank balance of \$5,201,228 was exposed to custodial credit risk. At June 30, 2019, the bank balance covered by depository insurance collateralized by securities held by the pledging financial institution was \$2,395,327. Uncollateralized deposits at June 30, 2019 were 2,555,901.

Breakdown per financial statements:

Governmental Funds	\$ 4,272,691
Proprietary Funds	400,921
Fiduciary Funds	148,849
	<hr/>
	\$ 4,822,461

NOTE D – INVESTMENTS

Kentucky Revised Statutes authorizes the District to invest in the following: obligations of the United States Government and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds; bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities; certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution up to FDIC insured amount, and in larger amounts provided that the bank pledges as security obligations having a current market value at least equal to any uninsured deposits.

The District entered into a repurchase agreement with Natixis Funding Corp. as a result of the issuance of Series 2011 Qualified School Construction Bonds with Bank of New York Mellon Trust Company, N.A. as acting Escrow Agent. Beginning December 3, 2012 and each subsequent December through 2030, the District is obligated to deposit into an Escrow account with the Bank of New York Mellon \$309,008.42 and the School Facilities Construction Commission is obligated to deposit \$164,285 into the Escrow account with the Bank of New York Mellon for a combined yearly deposit of \$473,293.42. Acting as Escrow agent, the Bank of New York Mellon will purchase qualified investments as permitted under KRS 66.480 for the District until December 2, 2030 from Natixis Funding Corp. with a margin of 103%. On December 2, 2030, the final repurchase date, the Bank of New York Mellon Trust Company, N.A. will issue a demand for repurchase to Natixis Funding Corp. at which time the investment will be repurchased by Natixis Funding Corp. and funds will be deposited into the Escrow account for a one-time debt service payment of the Series 2011 Qualified School Construction Bonds.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE D – INVESTMENTS (CONTINUED)

The District held the following investments at year end:

	Carrying Amount	Fair Value
Repurchase agreements	\$ 3,601,744	\$ 3,601,744
Total Investments	<u>\$ 3,601,744</u>	<u>\$ 3,601,744</u>

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments' fair value measurements are as follows at June 30, 2019:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Repurchase Agreements	\$ 3,601,744	\$ -	\$ 3,601,744	\$ -
Total Investments	<u>\$ 3,601,744</u>	<u>\$ -</u>	<u>\$ 3,601,744</u>	<u>\$ -</u>

The repurchase agreements categorized as Level 2 are valued using a pricing technique that values securities based on their relationship to benchmark quoted prices.

NOTE E – CAPITAL ASSETS

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Land	\$ 174,705	\$ -	\$ -	\$ 174,705
Construction in Progress	-	1,622,715	-	1,622,715
Land Improvements	1,149,301	14,200	-	1,163,501
Building & Building Improvements	41,160,923	-	-	41,160,923
Technology Equipment	2,825,314	76,067	(35,955)	2,865,426
Vehicles	2,226,122	33,422	(12,195)	2,247,349
General Equipment	492,308	2,806	(5,894)	489,220
Transfers	-	-	-	-
Total at historical cost	<u>48,028,673</u>	<u>1,749,210</u>	<u>(54,044)</u>	<u>49,723,839</u>
Less Accumulated Depreciation for:				
Land Improvements	947,562	21,543	-	969,105
Building & Building Improvements	9,002,620	796,035	-	9,798,655
Technology Equipment	2,302,451	192,253	(35,727)	2,458,977
Vehicles	1,577,468	171,106	(11,795)	1,736,779
General Equipment	324,982	22,138	(2,685)	344,435
Total accumulated depreciation	<u>14,155,083</u>	<u>1,203,075</u>	<u>(50,207)</u>	<u>15,307,951</u>
Governmental activities capital assets, net	<u>\$ 33,873,590</u>	<u>\$ 546,135</u>	<u>\$ (3,837)</u>	<u>\$ 34,415,888</u>

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE E – CAPITAL ASSETS (CONTINUED)

Proprietary Activities				
Building & Building Improvements	\$ 167,377	\$ -	\$ -	\$ 167,377
Technology Equipment	12,227	-	-	12,227
General Equipment	307,351	46,371	-	353,722
Total at historical cost	486,955	46,371	-	533,326
Less Accumulated Depreciation for:				
Building & Building Improvements	87,813	3,120	-	90,933
Technology Equipment	7,855	1,972	-	9,827
General Equipment	139,494	20,013	-	159,507
Total accumulated depreciation	235,162	25,105	-	260,267
Proprietary activities capital assets, net	\$ 251,793	\$ 21,266	\$ -	\$ 273,059

Depreciation expense charged to governmental functions as follows:

Plant Operation & Maintenance	\$ 828,903
Instructional	178,208
Student Transportation	174,162
Instructional Staff	8,855
District Administration	7,420
School Administration	2,772
Student Support	2,755
Total	\$ 1,203,075

NOTE F – GENERAL LONG – TERM DEBT

Bonds Payable

The amount shown in the accompanying government-wide financial statements as bond principal outstanding represents the District's future obligations to make payments relating to the bonds issued by the Metcalfe County School District Finance Corporation.

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

Issue Date	Proceeds	Rates
2011 Series	\$ 11,153,000	4.65%-4.65%
2015 Series	\$ 9,100,000	2%
2015 Series Refunding	\$ 12,345,000	2.00%-3.00%
2019 Series	\$ 3,310,000	2%

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

The District has "participation agreements" with the Kentucky School Facility Construction Commission (the Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statement.

The Series 2011 Bond was issued under the Qualified School Construction Bond under the America Recovery and Reinvestment Act of 2009 and the Hiring Incentive to Restore Employment Act of 2010. Provisions under the Qualified School Construction Bond program allow for a "direct pay" from the federal government of 100% of the interest obligation for the District.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE F – GENERAL LONG – TERM DEBT (CONTINUED)

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

Year Ending June 30,	Metcalf County School District		Kentucky School Facility Construction Commission		Less Federal	Total Debt Service
	Principal	Interest	Principal	Interest	Rebate	
2019-2020	674,417	931,708	220,583	86,297	(518,615)	1,394,390
2020-2021	692,343	944,301	217,657	88,033	(518,614)	1,423,720
2021-2022	706,779	928,927	223,221	83,106	(518,614)	1,423,419
2022-2023	726,645	910,316	228,355	77,192	(518,614)	1,423,894
2023-2024	748,679	888,173	231,321	70,310	(518,614)	1,419,869
2025-2029	4,095,506	4,084,981	1,189,494	247,304	(2,593,070)	7,024,215
2030-2034	11,682,001	1,621,469	4,580,999	86,280	(777,921)	17,192,828
2035-2039	2,893,634	197,110	276,366	20,934	-	3,388,044
	<u>\$ 22,220,004</u>	<u>\$ 10,506,985</u>	<u>\$ 7,167,996</u>	<u>\$ 759,456</u>	<u>\$ (5,964,062)</u>	<u>\$ 34,690,379</u>

Capital Leases

The District entered into a capital lease agreement in February 2017 with the Kentucky Inter-local Transportation Association (KISTA) upon the purchase of three school buses. Principal payments are due annually on March 1. Interest is stated at 2.550% and is due semi-annually on September 1 and March 1.

The school buses and related accumulated amortization under capital lease is as follows:

	Governmental Activities
School Buses	\$ 259,342
Less: accumulated depreciation	(90,769)
Net value	<u>\$ 168,573</u>

As of June 30, 2019, capital lease annual amortization is as follows:

Year Ending June 30,	
2020	\$ 29,490
2021	29,483
2022	29,460
2023	29,490
2024	29,502
Thereafter	<u>79,740</u>
Total requirements	227,165
Less Interest	<u>(23,420)</u>
Present value of remaining payments	<u>\$ 203,745</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE F – GENERAL LONG – TERM DEBT (CONTINUED)

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

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Due within One Year
Primary Government					
Revenue Bond Payable	\$ 15,770,000	\$ 3,310,000	\$ 845,000	\$ 18,235,000	\$ 895,000
Qualified School Constr. Bonds	11,153,000	-	-	11,153,000	-
Loans Payable	23,210	-	23,210	-	-
Capital Lease Payable	232,190	-	28,445	203,745	24,294
Other noncurrent liabilities	28,754	-	9,584	19,170	9,584
Accrued Sick Leave	121,882	-	3,374	118,508	59,254
Net OPEB Liability-CERS	1,581,748	-	185,579	1,396,169	-
Net OPEB Liability-KTRS	3,921,000	-	370,000	3,551,000	-
Net Pension Liability	4,605,411	183,930	-	4,789,341	-
Governmental Activities					
Long-Term Liabilities	<u>\$ 37,437,195</u>	<u>\$ 3,493,930</u>	<u>\$ 1,465,192</u>	<u>\$ 39,465,933</u>	<u>\$ 988,132</u>

Other current liability due within one year of \$9,584 is included in accounts payable.

The total interest incurred for the year ended June 30, 2019 was \$988,597, all of which was charged to expense.

NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES

The District has various operating leases for copiers and office equipment. The following is a schedule of future minimum lease payments.

Year Ending June 30,	
2020	\$ 32,257
2021	22,357
2022	18,801
2023	6,195
2024	-
Total Minimum Rentals	<u>\$ 79,610</u>

Rent expense for the year ended June 30, 2019 was \$56,187 which includes per copy charges

NOTE H– ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, a certified employee will receive from the District 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. As of June 30, 2019, management has estimated the accrued sick leave liability obligation will be approximately \$118,508.

In accordance with GASB Statement No. 34, the government fund financial statements reflect the current portion of sick leave payable of \$59,254. This is the amount anticipated to be funded with current year's economic financial resources.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE I – RETIREMENT PLANS

Kentucky Teacher’s Retirement

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

General information about the County Employees retirement system Non-Hazardous (“CERS”)

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

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

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

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

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

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

The district’s contribution requirement for CERS for the years ended June 30, 2019, 2018, and 2017 was \$379,305, \$333,752, and 314,639 from the District and \$114,729, \$113,050 and \$110,340 from employees. The total covered payroll for CERS during the years ended June 30, 2019, 2018 and 2017 was \$2,338,501, \$2,304,919, and \$2,255,479.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE I– RETIREMENT PLANS (CONTINUED)

General information about the Teachers’ Retirement System of the State of Kentucky (“KTRS”)

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

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

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

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

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

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

Contributions – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.640% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.425% of their salary to KTRS.

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

July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 13.105% 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.

During the years ended June 30, 2019, 2018, and 2017 contributions of \$1,870,131, \$1,988,380 and \$968,546 were made by the State of Kentucky and \$150,195, \$135,388 and \$134,968 in contributions were passed through the District’s federally funded programs. Employee contributions for the years ended June 30, 2019, 2018, and 2017 totaled \$821,018, \$914,023 and \$914,802. All payments were made to the retirement system in the amount of the annually required contributions

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE I- RETIREMENT PLANS (CONTINUED)

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

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

District's proportionate shares of the CERS net pension liability	\$ 5,555,881
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>\$ 25,810,006</u>
	<u>\$ 31,365,887</u>

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

The Districts proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the Districts proportion was 0.091222% percent.

For the year ended June 30, 2019, the District recognized pension expense of \$839,113 related to CERS and 1,870,131 related to KTRS. The District also recognized revenue of \$1,870,131 (KTRS schedule B) for KTRS support provided by the Commonwealth. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 181,217	\$ 81,326
Changes of assumptions	542,971	-
Net difference between projected and actual earnings on pension plan investments	258,353	324,971
Changes in proportion and differences between District contributions and proportionate share of contributions	64,242	29,234
District contributions subsequent to the measurement date	<u>379,305</u>	<u>-</u>
Total	<u>\$ 1,426,088</u>	<u>\$ 435,531</u>

The District reported \$379,305 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	455,752
2021	245,913
2022	(60,594)
2023	(29,819)

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE I– RETIREMENT PLANS (CONTINUED)

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

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.5-7.30%
Investment rate of return, net of investment expense & inflation.	6.25%	7.50%

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008-June 30, 2013.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010 adopted by the Board on December 19, 2011. The results of the experience study for the period July 1, 2010 – June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 and GASB 68 reports.

Discount rate—for CERS, 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 local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

For KTRS, the discount rate used to measure the total pension liability was 4.20%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. Assumptions were made that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year, and as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 4.20% was calculated using the Municipal Bond Index Rate as of the Measurement Date (3.01%). This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 68.

Long-term rate of return: For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering the period July 1, 2010 – June 30, 2015 adopted by the Board on November 19, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class.

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE I– RETIREMENT PLANS (CONTINUED)

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

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

Municipal bond rate: For CERS, the discount rate determination does not use a municipal bond rate

Periods of projected benefit payments: For CERS, projected future benefit payments for all current plan members were projected through 2017.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	6,994,048	5,555,881	4,350,613
KTRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	-	-	-

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

Deferred Compensation

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 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 assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on this financial statement.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE J - POST EMPLOYMENT BENEFIT PLAN

General Information about the OPEB Plan – CERS

Medical Insurance Plan

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

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The Kentucky Retirement Systems' Insurance Fund offers coverage for eligible members receiving benefits from KERS, CERS, and SPRS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance based on years of service.

Contributions – In order to fund the post-retirement healthcare benefit, for Tier 1 plan members (those participating prior to September 1, 2008) 5.26% of the gross annual payroll of members is contributed, all of which is paid by the District. For Tier 2 plan members (those participating on, or after September 1, 2008 and before January 1, 2014 an additional 1% of the gross annual payroll is contributed by the plan member. Tier 3 plan members (those whose participation began after January 1, 2014) also contribute an additional 1% of their annual payroll into a Cash Balance Plan. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan

General Information about the OPEB Plan - KTRS

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

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

Medical Insurance Plan

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

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

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

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE J - POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

At June 30, 2019, the District reported a liability of \$5,170,628 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, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.091222%.

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 shares of the net OPEB liability	\$ 5,170,628
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>3,113,000</u>
	<u>\$ 8,283,628</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$370,887 and revenue of \$158,941 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 370,746
Changes of assumptions	372,464	3,742
Net difference between projected and actual earnings on OPEB plan investments	-	125,561
Changes in proportion and differences between District contributions and proportionate share of contributions	2,028	234,427
District contributions subsequent to the measurement date	<u>331,446</u>	<u>-</u>
Total	<u>\$ 705,938</u>	<u>\$ 734,476</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$3331,446 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2020	(66,653)
2021	(66,653)
2022	(66,653)
2023	(37,986)
2024	(81,489)
Thereafter	(40,550)

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE J - POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

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

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

**Modled as 50% High Yield and 50% Bank Loans*

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

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

Discount rate – For CERS, the projection of cash flows used to determine the discount rate of 5.84% for CERS Non-hazardous assumed that local employers would contribute the actuarially determined contributions rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 6.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

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

	1% Decrease	Discount Rate	1% Increase
CERS:	4.85%	5.85%	6.85%
District's proportionate share of net	2,103,638	1,619,628	1,207,341
KTRS:	7.00%	8.00%	9.00%
District's proportionate share of net	4,164,320	3,551,000	3,040,493

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE J - POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Districts' net OPEB liability	2,944,696	3,551,000	4,299,513

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

Life Insurance Plan

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

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

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

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

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

District's proportionate shares of the net OPEB liability	\$ -
Commonwealth's proportionate share of the net OPEB liability associated with the District	\$ 53,000
	<u>\$ 53,000</u>

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

NOTE K – ON-BEHALF PAYMENTS

The following are the on-behalf payments the District received from the Commonwealth of Kentucky for the year ended June 30, 2019:

TRS - GASB 68	\$ 1,870,131
TRS - GASB 75	158,941
Health Insurance	1,852,277
Life Insurance	2,709
Administrative Fee	22,335
HRA/Dental/Vision	55,304
Technology	88,885
KISTA Capital Lease Payments	22,251
Debt Service	441,149
Less: Federal Reimbursements	<u>(205,132)</u>
Total	<u>\$ 4,308,850</u>

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE L – CONTINGENCIES

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

NOTE M – INSURANCE AND RELATED ACTIVITIES

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

NOTE N – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs for which coverage was provided) would be returned to the members on a pro rata basis.

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

NOTE O – DEFICIT OPERATING BALANCES

There are no funds of the district that currently have a deficit balance. In addition, no funds had operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

NOTE P – COBRA

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

NOTE Q – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	School Food Service	General	Indirect Cost	\$ 73,057
Operating	General	Debt Service	Debt Service	115,935
Operating	General	Special Revenue	KETS Match	28,779
Operating	Capital Outlay	Debt Service	Debt Service	137,044
Operating	Building Fund	Debt Service	Debt Service	1,142,830
				<u>\$ 1,497,645</u>

NOTE R - RESTRICTED NET POSITION

The government-wide statement of net position reports (\$3,926,785) of restricted net position, none of which is restricted by enabling legislation.

NOTE S – SUBSEQUENT EVENTS

Management has reviewed subsequent events through November 12, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,610,000	\$ 2,795,000	\$ 2,931,157	\$ 136,157
Other Local Sources	5,000	5,000	11,765	6,765
State Sources	8,772,820	8,750,393	10,622,986	1,872,593
Federal Sources	50,000	50,000	36,979	(13,021)
Other Sources	58,500	83,500	193,150	109,650
Total revenues	11,496,320	11,683,893	13,796,037	2,112,144
Expenditures				
Instructional	5,923,765	6,042,088	6,977,370	(935,282)
Student Support Services	583,897	582,894	632,919	(50,025)
Staff Support Services	273,187	276,342	325,266	(48,924)
District Administration	700,074	704,810	643,604	61,206
School Administration	938,565	943,624	1,024,253	(80,629)
Business Support Services	499,591	505,864	591,096	(85,232)
Plant Operation & Maintenance	1,407,123	1,408,117	1,484,057	(75,940)
Student Transportation	990,905	1,056,162	1,179,153	(122,991)
Community Service Operations	25,146	28,549	19,369	9,180
Land/Site Acquisitions	127,575	152,378	34,239	118,139
Debt Service	-	-	-	-
Debt Service Other	-	-	-	-
Other	267,000	275,000	-	275,000
Total expenditures	11,736,828	11,975,828	12,911,326	(935,498)
Excess(deficit) revenues over expenditures	(240,508)	(291,935)	884,711	1,176,646
Other financing sources (uses):				
Proceeds from Sale of Assets		-	100	100
Operating Transfers In	50,000	79,000	73,057	(5,943)
Operating Transfers Out	(123,705)	(123,705)	(144,714)	(21,009)
Total other financing sources (uses)	(73,705)	(44,705)	(71,557)	(26,852)
Net change in fund balances	(314,213)	(336,640)	813,154	1,149,794
Fund balance - beginning	314,213	314,213	720,283	406,070
Fund balance - ending	\$ -	\$ (22,427)	\$ 1,533,437	\$ 1,555,864

On-Behalf Payments of \$1,847,155 were not budgeted by the Metcalfe County School District

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Other Local Sources	\$ -	\$ 109	\$ 153	\$ 44
State Sources	-	720,424	641,689	(78,735)
Federal Sources	-	2,026,976	2,240,125	213,149
Other Sources	-	76,538	41,866	(34,672)
Total revenues	-	2,824,047	2,923,833	99,786
Expenditures:				
Instructional	-	2,556,665	2,615,667	(59,002)
Student Support Services	-	108,156	146,645	(38,489)
Staff Support Services	-	-	2,547	(2,547)
District Administration	-	-	-	-
Plant Operation & Maintenance	-	-	-	-
Community Service Operations	-	188,005	187,753	252
Total expenditures	-	2,852,826	2,952,612	(99,786)
Excess(deficit) revenues over expenditures	-	(28,779)	(28,779)	-
Other financing sources (uses):				
Proceeds from Sale of Assets				
Operating Transfers In	-	28,779	28,779	-
Operating Transfers Out	-	-	-	-
Total other financing sources (uses)	-	28,779	28,779	-
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY
June 30, 2019

	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.09122%	0.09064%	0.08835%	0.09476%	0.097293%
District's prportionate share of the net pension liability (asset)	5,555,881	5,305,145	4,349,799	4,074,145	3,157,000
District's covered-employee payroll	2,304,919	2,255,479	2,157,832	2,259,147	2,273,254
District's proportionate share of the net pension liability (asset) as a percentage of it covered-employee payroll	241.04%	235.21%	201.58%	180.34%	138.88%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS TO CERS
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 379,305	\$ 333,752	\$ 314,639	\$ 268,003	\$ 288,041
Contributions in relation to the contractually required contribution	<u>(379,305)</u>	<u>(333,752)</u>	<u>(314,639)</u>	<u>(268,003)</u>	<u>(288,041)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,338,501	\$ 2,304,919	\$ 2,255,479	\$ 2,157,832	\$ 2,259,147
Contributions as a percentage of covered-employee payroll	16.22%	14.48%	13.95%	12.42%	12.75%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CERS
For the Year Ended June 30, 2019

NOTE A – ACTUARIAL METHODS AND ASSUMPTIONS USED TO DETERMINE THE ACTUARIAL DETERMINED CONTRIBUTIONS FOR FISCAL YEAR 2018

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2018:

Valuation date	June 30, 2016
Experience study	July 1, 2008 - June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increases, including wage inflation	4% average
Investment rate of return	7.50%

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

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE KTRS NET PENSION LIABILITY
June 30, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's prportionate share of the net pension liability (asset)	-	-	-	-	-
Commonwealth's proportionate share of the net pension liability (asset) associated with the District	<u>25,810,006</u>	<u>55,964,370</u>	<u>58,863,335</u>	<u>52,709,328</u>	<u>48,087,992</u>
Total	<u><u>25,810,006</u></u>	<u><u>55,964,370</u></u>	<u><u>58,863,335</u></u>	<u><u>52,709,328</u></u>	<u><u>48,087,992</u></u>
District's covered-employee payroll	7,110,235	7,144,226	6,925,941	7,388,184	7,335,506
District's proportionate share of the net pension liability (asset) as a percentage of it covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.30%	39.83%	35.22%	42.49%	45.59%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - KTRS
For the Year Ended June 30, 2019
METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS TO KTRS
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 150,195	\$ 135,388	\$ 134,968	\$ 124,822	\$ 98,393
Contributions in relation to the contractually required contribution	<u>(150,195)</u>	<u>(135,388)</u>	<u>(134,968)</u>	<u>(124,822)</u>	<u>(98,393)</u>
Contribution deficiency (excess)	<u><u></u></u>	<u><u></u></u>	<u><u></u></u>	<u><u></u></u>	<u><u></u></u>
District's covered-employee payroll	\$ 6,386,755	\$ 7,110,235	\$ 7,144,226	\$ 6,925,941	\$ 7,388,184
Contributions as a percentage of covered-employee payroll	2.35%	1.90%	1.89%	1.80%	1.33%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET OPEB LIABILITY
June 30, 2019

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)-Medical Insurance	0.091222%	0.090635%
District's prportionate share of the net OPEB liability (asset)-Medical Insurance	1,619,628	1,822,074
District's covered-employee payroll	2,304,919	2,255,479
District's proportionate share of the net OPEB liability (asset)-Medical Insurance as a percentage of it covered-employee payroll	70.27%	80.78%
Plan fiduciary net position as a percentage of the total OPEB liability-Medical Insurance	57.62%	52.40%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS TO CERS - OPEB
June 30, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 123,005	\$ 108,331
Contributions in relation to the contractually required contribution	<u>(123,005)</u>	<u>(108,331)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,338,501	\$ 2,304,919
Contributions as a percentage of covered-employee payroll	5.26%	4.70%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CERS OPEB
For the Year Ended June 30, 2019

NOTE A – ACTUARIAL METHODS AND ASSUMPTIONS USED TO DETERMINE THE ACTUARIAL DETERMINED CONTRIBUTION FOR FISCAL YEAR 2018

The following actuarial methods and assumptions, for actuarially determined contributions effective for the fiscal year ending June 30, 2018:

Valuation date	June 30, 2016
Experience study	July 1, 2008 - June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increases	4.00%, average
Investment rate of return	7.50%
Healthcare cost trend rates:	
Pre - 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Post - 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

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

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE KTRS NET OPEB LIABILITY-MEDICAL
INSURANCE
June 30, 2019

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)-Medical Insurance	0.109974%	0.109974%
District's proportionate share of the net OPEB liability (asset)-Medical Insurance	3,551,000	3,921,000
Commonwealth's proportionate share of the net OPEB liability (asset)-Medical Insurance associated with the District	<u>3,060,000</u>	<u>3,203,000</u>
Total	<u>6,611,000</u>	<u>7,124,000</u>
District's covered-employee payroll	7,110,235	7,144,226
District's proportionate share of the net pension liability (asset)-Medical Insurance as a percentage of it covered-employee payroll	49.94%	54.88%
Plan fiduciary net position as a percentage of the total pension liability-Medical Insurance	25.50%	21.18%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS TO KTRS - OPEB MEDICAL INSURANCE
June 30, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 157,219	\$ 182,315
Contributions in relation to the contractually required contribution	<u>(157,219)</u>	<u>(182,315)</u>
Contribution deficiency (excess)		
District's covered-employee payroll	\$ 6,386,755	\$ 7,110,235
Contributions as a percentage of covered-employee payroll	2.46%	2.56%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - KTRS OPEB MEDICAL INSURANCE
For the Year Ended June 30, 2019

NOTE A - METHODS AND ASSUMPTIONS USED IN THE ACTUARIALLY DETERMINED CONTRIBUTIONS

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

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization Period	23 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount Rate	8.00%
Healthcare cost trend rates:	
Under Age 65	7.75% for FYE 2018 decreasing to an ultimate rate of 5.00% by FYE 2024
Ages 65 and Older	5.75% for FYE 2018 decreasing to an ultimate rate of 5.00% by FYE 2024
Medicare Part B Premiums	0.00% for FYE 2018 with an ultimate rate of 5.00% by 2030
Under Age 65 Claims	The current premium charged by KEHP is used as the base

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE KTRS NET OPEB LIABILITY - LIFE
INSURANCE
June 30, 2019

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset) - Life Insurance	0.000000%	0.000000%
District's proportionate share of the net OPEB liability (asset)-Life Insurance	-	-
Commonwealth's proportionate share of the net opeb liability (asset)-Life Insurance associated with the District	<u>53,000</u>	<u>43,000</u>
Total	<u><u>53,000</u></u>	<u><u>43,000</u></u>
District's covered-employee payroll	7,110,235	7,144,226
District's proportionate share of the net OPEB liability (asset)-Life Insurance as a percentage of it covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability-Life Insurance	75.00%	79.99%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - KTRS NET OPEB LIABILITY - LIFE INSURANCE
For the Year Ended June 30, 2019

NOTE A - METHODS AND ASSUMPTIONS USED IN THE ACTUARIALLY DETERMINED CONTRIBUTIONS

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

Valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization Period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.50%
Real Wage Growth	0.50%
Wage Inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount Rate	7.50%
Healthcare cost trend rates:	
Under Age 65	7.75% for FYE 2018 decreasing to an ultimate rate of 5.00% 5.00% by FYE 2024
Ages 65 and Older	5.75% for FYE 2018 decreasing to an ultimate rate of 5.00% 5.00% by FYE 2024
Medicare Part B Premiums	0.00% for FYE 2018 with an ultimate rate of 5.00% by 2030

SUPPLEMENTARY INFORMATION

METCALFE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2019

	Capital Outlay	Building Fund	Total Non-Major Governmental Funds
Assets			
Cash & Cash Equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Accounts Receivable			
Taxes	-	-	-
Other Accounts Receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Sick Leave	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted - SFCC Escrow Current Offer	-	-	-
Restricted - Debt Service	-	-	-
Restricted - Future Construction	-	-	-
Unassigned	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

METCALFE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Capital Outlay	Building Fund	Total Non-Major Governmental Funds
Revenues:			
Taxes	\$ -	\$ 446,450	\$ 446,450
Earnings from Investments	-	-	-
Intergovernmental - State	137,044	696,380	833,424
Intergovernmental - Federal	-	-	-
Other Sources	-	-	-
Total revenues	<u>137,044</u>	<u>1,142,830</u>	<u>1,279,874</u>
Expenditures:			
Instructional	-	-	-
Student Support Services	-	-	-
Staff Support Services	-	-	-
District Administration	-	-	-
School Administration	-	-	-
Business Support Services	-	-	-
Plant Operations & Maintenance	-	-	-
Student Transportation	-	-	-
Central Office	-	-	-
Community Service Operations	-	-	-
Facilities Acquisition & Construction	-	-	-
Debt Service	-	-	-
Principal	-	-	-
Interest	-	-	-
Other	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) revenues over expenditures	137,044	1,142,830	1,279,874
Other Financing Sources (Uses):			
Proceeds from Sale of Bonds	-	-	-
Refunding Bonds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	(137,044)	(1,142,830)	(1,279,874)
Total other financing sources (uses)	<u>(137,044)</u>	<u>(1,142,830)</u>	<u>(1,279,874)</u>
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

METCALFE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 ACTIVITY FUNDS
 For the Year Ended June 30, 2019

	Fund Balance July 1, 2018	Revenues	Expenditures	Fund Balance June 30, 2019
Metcalfe County High School	\$ 74,964	\$ 339,823	\$ 335,640	\$ 79,147
Metcalfe County Elementary School	31,992	131,602	121,764	41,830
Metcalfe County Middle School	26,479	89,410	88,811	27,078
Total Activity Funds (Due to Student Groups)	<u>\$ 133,435</u>	<u>\$ 560,835</u>	<u>\$ 546,215</u>	<u>\$ 148,055</u>

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
For the Year Ended June 30, 2019

	Cash Balance July 1, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable June 30, 2019	Accounts Payable June 30, 2019	Fund Balance June 30, 2019
Golf	\$ 1,229	\$ 940	\$ 836	\$ 1,333	\$ -	\$ -	\$ 1,333
Cross Country	4	450	221	233	-	-	233
Athletics Tournament Share	6,890	29,074	22,535	13,429	247	-	13,676
Art Department	300	3,717	3,431	586	-	-	586
Athletics	10,640	74,743	82,763	2,620	-	604	2,016
National Honor Society	182	960	676	466	-	-	466
Textbooks	1,422	-	490	932	-	-	932
Nursing Uniforms & Supplies	589	2,482	2,219	852	-	-	852
STLP	1,056	3,842	3,521	1,377	-	-	1,377
FFA	2,414	20,168	18,641	3,941	-	998	2,944
General	313	385	399	299	-	-	299
Interest	266	485	-	751	-	-	751
Library	92	-	92	-	-	-	-
Student Coke/Snack	1,982	2,866	4,356	492	-	-	492
Teachers' Lounge	580	1,413	1,930	63	-	-	63
Picture Day Fund	291	414	-	705	-	-	705
Yearbook	7,733	7,015	10,307	4,441	-	-	4,441
HOSA	650	2,910	3,469	91	-	-	91
Girls Tennis	48	2,310	1,914	444	-	288	156
Fall Formal	-	1,400	1,036	364	-	-	364
Prom	2,193	5,968	7,853	308	-	-	308
FFA Booster Alumni	50	-	50	-	-	-	-
Football	5,857	26,800	25,321	7,336	-	-	7,336
Band	1,657	42,406	42,709	1,354	800	-	2,154
Volleyball	3,504	16,744	13,586	6,662	-	-	6,662
Boys Basketball	3,011	20,157	19,047	4,121	-	-	4,121
Girls Softball	3,404	4,346	3,969	3,781	-	-	3,781
Girls Basketball	1,240	8,451	8,012	1,679	-	-	1,679
Cheerleading	2,736	12,380	14,736	380	915	-	1,295
Dance Team	121	-	-	121	-	-	121
Health Career Cert/Test/Online	-	1,628	1,167	461	-	-	461
Baseball	5,762	7,664	7,061	6,365	-	-	6,365
Digital Signs	-	4,280	4,280	-	-	-	-
MCHS Posters	2,151	1,602	2,639	1,114	-	-	1,114
Track	173	150	121	202	-	-	202
BETA	215	9,596	9,356	455	-	-	455
Ag Awareness Class	-	1,176	872	304	-	-	304
FCA	399	-	229	170	-	-	170

MET CALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
For the Year Ended June 30, 2019

	Cash Balance July 1, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable June 30, 2019	Accounts Payable June 30, 2019	Fund Balance June 30, 2019
Cosmetology	\$ 134	\$ 105	\$ 239	\$ -	\$ -	\$ -	\$ -
Arts and Humanities	684	356	-	1,040	-	-	1,040
MCHS Community Service Club	437	2,436	1,290	1,583	-	-	1,583
Archery Club	84	1,461	588	957	-	-	957
Hornet Air Rifle Team	73	772	530	315	-	-	315
District T-Shirts	-	3,900	3,900	-	-	-	-
Region T-Shirts	-	1,349	1,349	-	-	-	-
Russell Estes Memorial Fund	-	184	-	184	-	-	184
Boys Tennis	-	408	408	-	-	-	-
Bass Fishing	7	-	7	-	-	-	-
Project Graduation	1	700	701	-	-	-	-
Letterman Jackets	-	4,441	4,441	-	-	-	-
Chess Club	41	-	-	41	-	-	41
Class of 2019	986	5,851	6,837	-	-	-	-
Class of 2020	1,200	2,050	-	3,250	-	-	3,250
Class of 2021	1,943	8,146	6,700	3,389	-	-	3,389
Class of 2022	220	40	176	84	-	-	84
Total All Funds	<u>\$ 74,964</u>	<u>\$ 351,121</u>	<u>\$ 347,010</u>	<u>\$ 79,075</u>	<u>\$ 1,962</u>	<u>\$ 1,890</u>	<u>\$ 79,147</u>
Interfund Transfers	<u>-</u>	<u>(13,260)</u>	<u>(13,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 74,964</u>	<u>\$ 337,861</u>	<u>\$ 333,750</u>	<u>\$ 79,075</u>	<u>\$ 1,962</u>	<u>\$ 1,890</u>	<u>\$ 79,147</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Pass-Through University of Kentucky			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Not Available	\$ 6,134
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Not Available	47,200
			<u>53,334</u>
Pass-Through Barren County Board of Education			
English Acquisition State Grants	84.365	3300002 17	118
English Acquisition State Grants	84.365	3300002 18	1,442
			<u>1,560</u>
Passed-Through Department of Education			
Title I - Grants to Local Educational Agencies	84.010	3100002-16	3,220
Title I - Grants to Local Educational Agencies	84.010	3100002-17	304,211
Title I - Grants to Local Educational Agencies	84.010	3100002-17	2,467
Title I - Grants to Local Educational Agencies	84.010	3100002-18	591,995
Title I - Grants to Local Educational Agencies	84.010	3100002-18	261
Title I - Grants to Local Educational Agencies	84.010	3100202-16	20,185
			<u>922,339</u>
Migrant Education - State Grant Program	84.011	3110002-17	42,475
Migrant Education - State Grant Program	84.011	3110002-18	15,061
			<u>57,536</u>
Career and Technical Education-Basic Grants to States	84.048	3710002-17	673
Career and Technical Education-Basic Grants to States	84.048	3710002-18	14,520
			<u>15,193</u>
Rural Education	84.358	3140002-16	1,522
Rural Education	84.358	3140002-17	25,997
Rural Education	84.358	3140002-18	27,695
			<u>55,214</u>
Supporting Effective Instruction State Grants	84.367	3230002-17	11,063
Supporting Effective Instruction State Grants	84.367	3230002-18	85,329
			<u>96,392</u>
Striving Readers/Comprehensive Literacy Development	84.371	3220002 17	192,046
Title I - School Improvement Grants	84.377	3100302-14	9,663
Title I - School Improvement Grants	84.377	3100302-16	122,810
			<u>132,473</u>
Student Support and Academic Enrichment Program	84.424	3420002-17	19,590
Student Support and Academic Enrichment Program	84.424	3420002-18	53,864
			<u>73,454</u>
Twenty-First Century Community Learning Centers	84.287	3400002-16	5,138
Twenty-First Century Community Learning Centers	84.287	3400002-16	223,662
			<u>228,800</u>
Special Education Cluster			
Special Education - Grants to States	84.027	3810002-17	1,568
Special Education - Grants to States	84.027	3810002-18	336,756

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Special Education - Preschool Grants	84.173	3800002-17	\$ 7,602
Special Education - Preschool Grants	84.173	3800002-18	27,125
Total Special Education Cluster			<u>373,051</u>
Total U.S. Department of Education			2,201,392
<u>U.S. Department of Agriculture</u>			
Passed-Through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 18	107,043
National School Lunch Program	10.555	7750002 19	572,812
School Breakfast Program	10.553	7760005 18	68,762
School Breakfast Program	10.553	7760005 19	399,596
Summer Food Service Program for Children	10.559	7740023 18	3,444
Summer Food Service Program for Children	10.559	7740023 19	9,592
Summer Food Service Program for Children	10.559	7690024 18	361
Summer Food Service Program for Children	10.559	7690024 19	95
Total Child Nutrition Cluster			<u>1,161,705</u>
Child and Adult Care Food Program	10.558	7790021 19	19,675
Child and Adult Care Food Program	10.558	7800016 19	1,397
			<u>21,072</u>
Passed-Through State Department of Agriculture			
Commodity Supplemental Food Program	10.565	Not Available	<u>67,808</u>
Farm to School Grant Program	10.575	Not Available	<u>38,734</u>
Total U.S. Department of Agriculture			1,289,319
Total Federal Financial Assistance			<u><u>\$ 3,490,711</u></u>

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in 2 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments 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 – INDIRECT COST RATE

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

NOTE D – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE E – SUBRECIPIENTS

There were no sub recipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I - Summary of Auditors' Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

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

Type of auditor's report issued on compliance for major programs: unmodified

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

Identification of major programs

CFDA Number

Name of Federal Program or Cluster

84.01
84.287

U.S. Department of Education
Passed through the Kentucky Department of Education:
Title I Grants to Local Agencies
Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

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

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

Section II - Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2019

Financial Statement Findings

No matters were reported

Federal Award Findings and Questioned Costs:

No matters were reported



WISE, BUCKNER, SPROWLES

& ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA
AUSTIN W. TEDDER, CPA

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 *GOVERNMENTAL AUDITING STANDARDS*

Kentucky State Committee for School District Audits
Members of the Board of Education
Metcalf County School District
Edmonton, KY 42129

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 requirements prescribed by the Kentucky State Committee for School District Audits *Independent Auditor's Contract*, and Appendices I, and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metcalfe County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Metcalfe County School District's basic financial statements and have issued our report thereon dated November 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metcalfe County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metcalfe County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Metcalfe 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 over financial reporting 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 over financial reporting 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 Metcalfe County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *State Compliance Requirements* section of the *Independent Auditor's Contract*.

We also noted other matters that we reported to management of Metcalf County Board of Education in a separate letter dated November 12, 2019.

Purpose of this Report

The purpose of this report is to solely 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.

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, KY
November 12, 2019



WISE, BUCKNER, SPROWLES
& ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA
AUSTIN W. TEDDER, CPA

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Metcalf County School District
Edmonton, KY 42129

Report on Compliance for Each Major Federal Program

We have audited Metcalf 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 Metcalf County School District's major federal programs for the year ended June 30, 2019. Metcalf 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Metcalf 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 Schools District Audits Independent Auditor's Contract, Appendix I of the Independent Auditor's Contract – Audit Extension Request, and Appendix II of the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metcalf 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 on Metcalf County School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Metcalf 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 Metcalf 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 Metcalf County School District's internal control over compliance.

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

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.

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, Kentucky
November 12, 2019

MANAGEMENT LETTER



WISE, BUCKNER, SPROWLES

& ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA
AUSTIN W. TEDDER, CPA

November 12, 2019

Members of the Board of Education
Metcalfe County School District
Edmonton, Kentucky

In planning and performing our audit of the financial statements of the Metcalfe County School District for the year ended June 30, 2018, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance of the internal control structure.

However, during our audit we became aware of four matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters, but we would first like to address the progress of the management letter points from the previous audit.

The management letter from the previous fiscal year discussed four points with respect to strengthening internal controls within the Central Office. The following observations were made concerning the prior year management letter points:

High School Activity Fund

Condition – Two occurrences noted in which P.O.'s were not approved in a timely manner and purchases were made before proper approval.

Current Year Observation – See current year uncorrected finding.

Condition – Cash advances were not properly documented on Form F-SA-9.

Current Year Observation – This was not noted as an issue in the current year.

Condition – Multiple Receipt Forms were not being signed by the students.

Current Year Observation – This was not noted as an issue in the current year.

Elementary School Activity Fund

Condition – The school had disallowed expenditures per Redbook

Current Year Observation – This was not noted as an issue in the current year.

Central Office

Condition – Capital asset prior year ending balances were different than current year beginning balances.

Current Year Observation – This was not noted as an issue in the current year.

Uncorrected Prior Year Comments

High School Activity Fund

Finding #1 – During our audit procedures test of disbursements, in a test sample of twenty-five (25) transactions, two (2) instances were noted in which the P.O. was not approved in a timely manner and purchases were made before proper approval.

Recommendation – We recommend that the Principal approve all Purchase Orders before purchases are made.

Management Response – Management will continue to discuss proper financial procedures relating to purchase order approval process and invoice documentation. We will stress the importance of the purchase order approval prior to purchase of goods and or services along with no payment issued until all procedures are complete.

Current Year Findings and Recommendations

High School Activity Fund

Finding #2 – During our audit procedure test of fund raising activity, we noted that Form F-SA-2B Fundraiser Worksheet was not properly filled out for District Basketball Program fundraiser for the cheerleader activity fund.

Recommendation – To properly document fund raising activity according to Red-Book guidelines, we recommend that the individual expense and income items be listed on Form F-SA-2B and agree to the ledger.

Management Response – Management will discuss with the High School Bookkeeper and Activity Fund sponsor for Cheerleading proper financial procedures relating to documentation of fund raising activity.

Finding #3 – During our audit procedure test of disbursements, we noted the following disbursement we feel is a disallowed expenditure:

- Check # 25702 dated 2/1/19 payable to Roadside BBQ for District meeting meals. This appears to be an expense for a coach's meeting in which no student is getting benefit.

Recommendation – Red-Book guidance for allowable expenditures must be for the benefit of students. We recommend that expenses for non-student related fundraising efforts be paid through a District fund. We recommend that training for allowable RedBook expenditures be attended by the Athletic Activity Fund sponsor.

Management Response – Management will discuss with the High School Bookkeeper and Athletic Activity Fund sponsor and seek additional training if considered necessary.

Middle School Activity Fund

Finding #4 – During our test of receipts, out of a total population of 40 receipts tested we found four (4) occurrences in which Multiple Receipt Form F-SA-6 was not signed by students when applicable. Two (2) were from Beta; Two (2) were from STLP.

Recommendation – Red-Book guidance for use of multiple receipt forms requires that students 3rd grade and up sign the multiple receipt form when money is collected from them. We recommend that the School Bookkeeper, Beta sponsor and STLP sponsor be aware of the requirement for multiple receipt form use when money is collected from students by additional Redbook training.

Management Response – Management will discuss with the Middle School Bookkeeper and the Activity Fund sponsors proper financial procedures relating to use of multiple receipt forms.

Finding #5 – During our test of disbursements, out of a total population of twenty-five (25) disbursements tested we found three (3) occurrences in which the purchase was made before the date of the Purchase Order being approved.

Recommendation – We recommend the no purchase be made without proper approval.

Management Response – Management will discuss with the School Bookkeeper the proper procedure for Activity Fund purchases
Sincerely,

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants