

Cloyd & Associates, PSC
Certified Public Accountants

BREATHITT COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

With

REPORT OF INDEPENDENT AUDITORS

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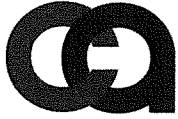
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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Breathitt County School District
Jackson, 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 Breathitt County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

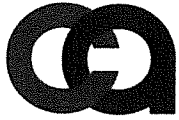
Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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





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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 Breathitt County School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 12 to the financial statements, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

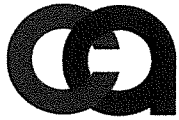
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the Schedules of District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions per the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Breathitt County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



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The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 15, 2018, on our consideration of Breathitt County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Breathitt County School District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC
London, Kentucky
November 15, 2018



BREATHITT COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2018

The management of Breathitt County School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2018. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$2,110,865 in 2018 and \$991,621 in 2017.
- The General Fund had \$17,482,105 in revenue, excluding interfund transfers, capital lease proceeds and proceeds from the sale of assets, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$16,331,013 in General Fund expenditures.
- Governmental Capital Assets had a net decrease of \$1,498,508 during the current fiscal year. Business-Type Activities Capital Assets had a net decrease of \$17,188 during the current fiscal year.

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 to the basic financial statements themselves.

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

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

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

The government-wide financial statements outline functions of the District that are primarily 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 asset acquisitions and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on the table of contents of this report.

Fund financial statement. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the

BREATHITT COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)–CONTINUED
Year Ended June 30, 2018

District can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are our food service and day care operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The financial statements can be found on pages 8 to 17 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used 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, 2018

Fiscal year 2018 government-wide net position compared to 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 3,096,220	\$ 1,852,503
Capital assets	17,917,506	19,433,203
Total Assets	<u><u>\$ 21,013,726</u></u>	<u><u>\$ 21,285,706</u></u>
 Deferred outflow of resources	 <u><u>\$ 3,135,002</u></u>	 <u><u>\$ 1,640,096</u></u>
 Current liabilities	 \$ 2,081,136	 \$ 1,879,820
Noncurrent liabilities	28,382,321	21,515,934
Total Liabilities	<u><u>\$ 30,463,457</u></u>	<u><u>\$ 23,395,754</u></u>
 Deferred inflow of resources	 <u><u>\$ 924,359</u></u>	 <u><u>\$ 159,351</u></u>
 Net investment in capital assets, net	 \$ 3,266,326	 \$ 3,607,022
Restricted net position	(370,762)	45,653
Unrestricted net position	(10,134,652)	(4,281,978)
Total net position	<u><u>\$ (7,239,088)</u></u>	<u><u>\$ (629,303)</u></u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental liabilities exceeded assets by approximately \$6,846,214; proprietary liabilities exceeded assets by \$392,874 and total liabilities exceeded assets by \$7,239,088 at June 30, 2018.

BREATHITT COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)–CONTINUED
Year Ended June 30, 2018

The District had an overall decrease in unrestricted net position of \$5,852,674, comprised of a decrease in governmental activities unrestricted net position of \$5,852,674.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2018 and 2017.

	2018	2017
Revenues and other financing sources		
Local revenue sources	3,171,965	2,828,293
State revenue sources	17,162,622	15,495,493
Federal Revenue	2,666,779	2,887,919
Total revenue	23,001,366	21,211,705
Expenditures and other financing uses		
Instruction	\$ 11,285,549	\$ 11,592,266
Student support services	1,072,483	984,256
Instructional support	1,700,579	1,562,093
District administration	762,678	780,543
School administration	1,340,815	1,110,248
Business operations	339,728	304,536
Plant operation and maintenance	1,781,500	1,655,826
Student transportation	1,597,371	1,684,526
Community services	292,260	296,167
Site improvement	72,878	19,865
Debt Service	1,704,656	1,663,988
Total expenditures	21,950,497	21,654,314
Excess revenues (expenditures)	1,050,869	(442,609)
Other financing sources (uses)		
Proceeds from sale of assets	\$ 18,821	\$ 30,832
Capital lease	-	268,845
Transfers in	1,432,548	1,274,690
Transfers out	(1,386,317)	(1,199,501)
Total other financing sources (uses)	\$ 65,052	\$ 374,866
Net change in fund balance	\$ 1,115,921	\$ (67,743)

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.

BUDGETARY IMPLICATION

In Kentucky the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$500,910 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District.

Comments on Budget Comparisons

- The District's total general fund revenues, excluding transfers, proceeds from the sale of assets and capital lease proceeds, for the fiscal year ended June 30, 2018 were \$17,482,105.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$1,837,047 more than budget or 11.74% more than budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2018 was \$16,331,013, excluding transfers.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$23,153 less than budget or .01% less than budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent at 606-666-2491, Director of Financial Services at 606-666-2491, or by mail at 420 Court Street, PO Box 750 Jackson, Kentucky 41339.

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,767,407	\$ 343,458	\$ 2,110,865
Accounts receivable:			
Taxes	86,317	-	86,317
Other	57,229	-	57,229
Intergovernmental - State	-	-	-
Intergovernmental - Federal	803,232	22,258	825,490
Inventory	-	16,319	16,319
Capital Assets, net			
Nondepreciable	491,402	-	491,402
Depreciable	17,194,647	231,457	17,426,104
Total assets	20,400,234	613,492	21,013,726
Deferred outflow of resources			
Deferred amounts from refunding bonds	270,037	-	270,037
Deferred outflows from pensions	1,915,370	312,841	2,228,211
Deferred outflows from OPEB	547,354	89,400	636,754
	<u>2,732,761</u>	<u>402,241</u>	<u>3,135,002</u>
LIABILITIES			
Accounts payable	213,027	4,085	217,112
Advances from grantors	440,411	-	440,411
Current portion of KSBIT Bond	66,169	-	66,169
Current portion of capital lease obligations	244,082	-	244,082
Current maturities of bond obligations	1,020,000	-	1,020,000
Interest payable	93,362	-	93,362
Net pension liability - noncurrent	5,849,676	955,438	6,805,114
Net OPEB - CERS liability - noncurrent	2,009,095	328,149	2,337,244
Net OPEB - KTRS liability - noncurrent	4,899,000	-	4,899,000
Noncurrent portion of KSBIT Bond	447,049	-	447,049
Noncurrent portion of capital lease obligations	1,088,683	-	1,088,683
Noncurrent maturities of bond obligations	12,540,000	-	12,540,000
Bond premium	28,452	-	28,452
Noncurrent portion of accumulated sick leave	236,779	-	236,779
Total liabilities	29,175,785	1,287,672	30,463,457
Deferred inflow of resources			
Deferred inflows from pension	635,232	103,754	738,986
Deferred inflows from OPEB - KTRS	63,000	-	63,000
Deferred inflows from OPEB - CERS	105,192	17,181	122,373
	<u>803,424</u>	<u>120,935</u>	<u>924,359</u>
NET POSITION			
Net investment in capital assets	3,034,869	231,457	3,266,326
Restricted for:			
Capital expenditures	71,581		71,581
Other	181,988	(624,331)	(442,343)
Unrestricted	<u>(10,134,652)</u>	<u>-</u>	<u>(10,134,652)</u>
Total net position	\$ (6,846,214)	\$ (392,874)	\$ (7,239,088)

BREATHITT COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

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							
Instruction	\$ 12,529,595	\$ -	\$ 5,418,145	\$ -	\$ (7,111,450)	\$ -	\$ (7,111,450)
Student	1,072,483	-	361,210	-	(711,273)	-	(711,273)
Instructional support	1,700,579	-	1,264,234	-	(436,345)	-	(436,345)
District administration	763,213	-	180,605	-	(582,608)	-	(582,608)
School administration	1,340,868	-	361,210	-	(979,658)	-	(979,658)
Business support	340,053	-	90,302	-	(249,751)	-	(249,751)
Plant operations and maintenance	2,500,349	-	541,815	-	(1,958,534)	-	(1,958,534)
Student transportation	1,927,174	-	541,815	-	(1,385,359)	-	(1,385,359)
Community services	292,260	-	270,906	-	(21,354)	-	(21,354)
Interest on long-term debt	410,159	-	-	275,737	(134,422)	-	(134,422)
Total governmental activities	22,876,733	-	9,030,242	275,737	(13,570,754)	-	(13,570,754)
Business-type activities							
Food service	1,673,541	34,578	1,568,062	-	-	(70,901)	(70,901)
Total business-type activities	1,673,541	34,578	1,568,062	-	-	(70,901)	(70,901)
Total primary government	\$ 24,550,274	\$ 34,578	\$ 10,598,304	\$ 275,737	(13,570,754)	(70,901)	(13,641,655)
General revenues							
Taxes:							
Property					1,938,412	-	1,938,412
Motor vehicle					305,503	-	305,503
Utility					633,468	-	633,468
Other					77,652	-	77,652
Earnings on investments					7,364	926	8,290
State grants					10,523,422	-	10,523,422
Other local amounts					209,566	-	209,566
Transfers					46,231	(46,231)	-
Gain/(loss) on disposal of assets					18,821	-	18,821
Total general revenues					13,760,439	(45,305)	13,715,134
Change in net position					189,685	(116,206)	73,479
Restated net position as if June 30, 2017					(7,035,899)	(276,668)	(7,312,567)
Net position as of June 30, 2018					\$ (6,846,214)	\$ (392,874)	\$ (7,239,088)

The accompanying notes are an integral part of these financial statements.

BREATHITT COUNTY SCHOOL DISTRICT**BALANCE SHEET -****GOVERNMENTAL FUNDS**

June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,695,826	\$ -	\$ 71,581	\$ 1,767,407
Interfund receivable	221,529			221,529
Accounts receivable:				
Taxes	86,317	-	-	86,317
Other	56,598	631		57,229
Intergovernmental - State	-	-	-	-
Intergovernmental - Federal	<u>5,245</u>	<u>797,987</u>	<u>-</u>	<u>803,232</u>
Total assets	<u>\$ 2,065,515</u>	<u>\$ 798,618</u>	<u>71,581</u>	<u>\$ 2,935,714</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Interfund payable	\$ -	\$ 221,529	\$ -	\$ 221,529
Accounts payable	76,349	136,678	-	213,027
Advances from grantors	<u>-</u>	<u>440,411</u>	<u>-</u>	<u>440,411</u>
Total liabilities	<u>76,349</u>	<u>798,618</u>	<u>-</u>	<u>874,967</u>
Fund balances				
Restricted	-	-	71,581	71,581
Committed	181,988	-		181,988
Unassigned	<u>1,807,178</u>	<u>-</u>	<u>-</u>	<u>1,807,178</u>
Total fund balances	<u>1,989,166</u>	<u>-</u>	<u>71,581</u>	<u>2,060,747</u>
Total liabilities and fund balances	<u>\$ 2,065,515</u>	<u>\$ 798,618</u>	<u>\$ 71,581</u>	<u>\$ 2,935,714</u>

The accompanying notes are an integral part of these financial statements.

BREATHITT COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - governmental funds	\$ 2,060,747
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	17,686,049
Deferred outflow of resources is not reported in the governmental funds but is reported in the Statement of Net Position.	2,732,761
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the Statement of Net Position.	(14,073,218)
Capital leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the Statement of Net Position.	(1,332,765)
Accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position.	(236,779)
The net pension liability is not expected to be paid from current economic resources and is not reported in the governmental funds fund balance but is reported in the Statement of Net Position	(12,757,771)
Deferred inflow of resources is not reported in the governmental funds but is reported in the Statement of Net Position.	(803,424)
Bond premiums are recognized as revenue in the governmental funds but are reported as a liability in the Statement of Net Position.	(28,452)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position.	<u>(93,362)</u>
Total net position - governmental activities	<u>\$ (6,846,214)</u>

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2018

	General Fund	Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ 1,523,340	\$ -	\$ 415,072	\$ 1,938,412
Motor vehicle	305,503	-	-	305,503
Utility	633,468	-	-	633,468
Unmined minerals	77,652	-	-	77,652
Earnings on investments	6,720	575	69	7,364
Other local	87,906	121,660	-	209,566
Intergovernmental - State	14,705,415	1,548,261	908,946	17,162,622
Intergovernmental - Federal	142,101	2,524,678	-	2,666,779
Total revenues	<u>17,482,105</u>	<u>4,195,174</u>	<u>1,324,087</u>	<u>23,001,366</u>
Expenditures				
Current:				
Instruction	8,596,440	2,689,109	-	11,285,549
Student	993,234	79,249	-	1,072,483
Instructional support	743,832	956,747	-	1,700,579
District administration	762,678	-	-	762,678
School administration	1,340,815	-	-	1,340,815
Business support	339,728	-	-	339,728
Plant operations and maintenance	1,708,900	72,600	-	1,781,500
Student transportation	1,490,477	106,894	-	1,597,371
Community services	-	292,260	-	292,260
Site improvement	-	-	72,878	72,878
Debt service	354,909	-	1,349,747	1,704,656
Total expenditures	<u>16,331,013</u>	<u>4,196,859</u>	<u>1,422,625</u>	<u>21,950,497</u>
Excess (deficit) of revenues over (under) expenditures	1,151,092	(1,685)	(98,538)	1,050,869
Other financing sources (uses)				
Sale of assets	18,821	-	-	18,821
Capital Lease proceeds	-	-	-	-
Transfers in	322,615	35,923	1,074,010	1,432,548
Transfers out	(303,798)	(34,238)	(1,048,281)	(1,386,317)
Total other financing sources (uses)	<u>37,638</u>	<u>1,685</u>	<u>25,729</u>	<u>65,052</u>
Net change in fund balance	1,188,730	-	(72,809)	1,115,921
Fund balance as of June 30, 2017	<u>800,436</u>	<u>-</u>	<u>144,390</u>	<u>944,826</u>
Fund balance as of June 30, 2018	<u>\$ 1,989,166</u>	<u>\$ -</u>	<u>\$ 71,581</u>	<u>\$ 2,060,747</u>

BREATHITT COUNTY SCHOOL DISTRICT**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**Year ended June 30, 2018

Net change in total fund balances - governmental funds	\$ 1,115,921
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlay for the year.	(1,498,508)
Amortization of deferred outflows of resources is not recognized as an expense in the governmental fund financial statements but is recognized as expense in the Statement of Activities.	(41,206)
Bond and capital lease proceeds are recognized as revenue in the governmental fund financial statements, but are increases of liabilities in the Statement of Net Position.	-
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the Statement of Net Position.	1,279,531
Amortizations of bond premiums are recognized as a decrease in expense in the government wide statements but are not recognized in the fund financial statements.	2,845
The net change in calculated pension expense over/(under) the contributions after the measurement date is not shown on the fund financial statements but is presented on the Statement of Activities.	(698,060)
Interest expense is accrued in the Statement of Net Position but is not accrued in the governmental funds.	14,966
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	<u>14,196</u>
Change in net position - governmental activities	<u>\$ 189,685</u>

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
June 30, 2018

	Food Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 343,458
Accounts receivable	22,258
Inventory	<u>16,319</u>
Total current assets	<u>382,035</u>
Noncurrent assets	
Capital assets	586,682
Less accumulated depreciation	<u>(355,225)</u>
Total noncurrent assets	<u>231,457</u>
Total assets	<u>613,492</u>
Deferred outflow of resources	
Deferred outflows from pensions	312,841
Deferred outflows from OPEB	<u>89,400</u>
	<u>402,241</u>
LIABILITIES	
Current liabilities	
Accounts payable	<u>4,085</u>
Noncurrent liabilities	
Net pension liability	955,438
Net OPEB liability	<u>328,149</u>
Total liabilities	<u>1,287,672</u>
Deferred inflow of resources	
Deferred inflows from pensions	103,754
Deferred inflows from OPEB	<u>17,181</u>
	120,935
NET POSITION	
Net investment in capital assets	231,457
Restricted for:	
Other	(624,331)
Unrestricted	<u>-</u>
Total net position	<u>\$ (392,874)</u>

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year ended June 30, 2018

	<u>Food Service Fund</u>
Operating revenues	
Lunchroom sales	\$ 34,578
Total operating revenues	<u>34,578</u>
Operating expenses	
Salaries and wages	467,894
Contract services	16,869
Employee benefits	246,827
Pension expense	61,251
Materials and supplies	851,806
Depreciation	<u>28,894</u>
Total operating expenses	<u>1,673,541</u>
Operating loss	<u>(1,638,963)</u>
Nonoperating revenues	
Federal grants	1,356,853
State grants	128,731
Donated commodities	82,478
Interest income	<u>926</u>
Total nonoperating revenues/(expenses)	<u>1,568,988</u>
Income before contributions transfers and special items	(69,975)
Transfer out	<u>(46,231)</u>
Change in net position	(116,206)
Restated net position as of June 30, 2017 (See Note 21)	<u>(276,668)</u>
Net position as of June 30, 2018	<u><u>\$ (392,874)</u></u>

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year ended June 30, 2018

	<u>Food Service Fund</u>
Cash flows from operating activities	
Cash received from:	
Lunchroom sales	\$ 30,450
Cash paid to/for:	
Employees	(714,721)
Supplies	<u>(784,997)</u>
Net cash used in operating activities	<u>(1,469,268)</u>
Cash flows from non-capital financing activities	
Grants received	1,485,584
Transfer to from general fund	<u>(46,231)</u>
Net cash used in non-capital financing activities	<u>1,439,353</u>
Cash flows from investing activities	
Purchase of fixed assets	(11,706)
Interest received on investments	<u>926</u>
Net cash used in capital and related activities	<u>(10,780)</u>
Net increase in cash and cash equivalents	(40,695)
Cash and cash equivalents as of June 30, 2017	<u>384,153</u>
Cash and cash equivalents as of June 30, 2018	<u><u>\$ 343,458</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income/ (loss)	\$ (1,638,963)
Adjustments to reconcile change in net position to net cash used in operating activities:	
(Increase) Decrease in accounts receivable	(4,128)
Change in pension expense	61,251
Donated commodities	82,478
Increase (Decrease) in Accounts payable	1,200
Depreciation	<u>28,894</u>
Net cash used in operating activities	<u><u>\$ (1,469,268)</u></u>
Schedule of non-cash transactions:	
Depreciation	\$ 28,894
Donated commodities	<u>82,478</u>
Total non-cash transactions	<u><u>\$ 111,372</u></u>

BREATHITT COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2018

	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
ASSETS		
Cash	\$ 74,441	\$ 74,441
Total assets	<u>74,441</u>	<u>74,441</u>
LIABILITIES		
Accounts payable	\$ 19,052	\$ 19,052
Due to student groups	<u>55,389</u>	<u>55,389</u>
Total liabilities	<u>74,441</u>	<u>74,441</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

1. REPORTING ENTITY

The Breathitt 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 Breathitt County School District ("District"). The District is currently under the management of the Kentucky Department of Education (KDE) and will be until KDE determines that the five-member board can resume governing the 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 activities relevant to the operation of the Breathitt County Board of Education. The basic 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. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

Breathitt County School District Finance Corporation - The Breathitt County Board of Education resolved to authorize the establishment of the Breathitt County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes) (the "Corporation") to act as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The following is a summary of the 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, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

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

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. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

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

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

I. Government Fund Types

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

I. Government Fund Types - continued

The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. 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. This is a major fund of the District.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Projects Funds account for revenue and expenditures from three sources:

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 and/or remodeling.

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

II. Proprietary Fund Types (Enterprise Funds)

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

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

III. Fiduciary Fund Type (Agency Funds)

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Basis of Accounting

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

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

Unearned Revenue/Advances from grantors - 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. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

Property Taxes

Property taxes are levied by September 30 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.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The property tax rates (including exonerations) assessed for the year ended June 30, 2018, to finance the General Fund operations were \$.627 per \$100 valuation for real property, \$.627 per \$100 valuation for business personal property and \$.492 per \$100 valuation for motor vehicles.

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

Prepaid Assets

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction-in-progress, 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>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other general equipment	10 years

Interfund Receivables and Payables

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

For governmental fund financial statements the current portion, if any, of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the General Fund. The noncurrent portion of the liability is not reported.

Bonds and Related Premiums, Discounts, and Issuance Costs

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Budgetary Process

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 on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, 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. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

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

Cash and Cash Equivalents

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Receivables

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The School Food Service fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method; the General Fund inventory is stated at cost and uses the first-in, first-out method.

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

Fund Balances

Fund balances are separated into five categories, as required by GASB 54, *Fund Balance reporting and Governmental Fund Type Definitions*, as follows:

Nonspendable fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

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

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2018, in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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 and Non-Operating Revenues and Expenses

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

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

Contributions of Capital

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

Interfund Activity

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

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, designated fund balances, and disclosure of contingent assets and liabilities at the

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by differences in pension expectations, the prior refunding of revenue bonds, and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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.

Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and the County Employees Retirement System Non-Hazardous (CERS) and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plans. 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 investments contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

3. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, none of the District's bank balances were exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2018 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Citizens Bank & Trust	\$ 2,909,721	\$ 2,110,865
Citizens Bank & Trust-Agency funds	<u>98,232</u>	<u>74,441</u>
	<u>\$ 3,007,953</u>	<u>\$ 2,185,306</u>

BREATHITT COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS--CONTINUED
Year Ended June 30, 2018

3. CUSTODIAL CREDIT RISK – DEPOSITS - CONTINUED

Breakdown per financial statements is as follows:

Governmental funds	\$	1,767,407
Proprietary funds		343,458
Agency funds		<u>74,441</u>
	\$	<u>2,185,306</u>

Cash is commingled in various bank accounts and short-term certificates of deposit. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash account within the following funds is considered to be restricted:

Special Revenue Funds
SEEK Capital Outlay Fund
Facility Support Program (FSPK) Fund
School Construction Fund
School Food Service Fund
Agency Funds

4. INVESTMENTS

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2018, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

See table on next page

BREATHITT COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS—CONTINUED
Year Ended June 30, 2018

5. CAPITAL ASSETS—CONTINUED

	June 30, 2017			June 30, 2018
	Balance	Additions	Retirements	Balance
Governmental Activities				
Land & land improvements	\$ 1,631,505	\$ -	\$ -	\$ 1,631,505
Buildings	34,773,781	-	-	34,773,781
Technology equipment	4,149,226	-	57,349	4,091,877
Vehicles	4,523,185	-	67,815	4,455,370
General equipment	1,348,093	132,775	-	1,480,868
Construction work in progress	-	-	-	-
Total historical cost	46,425,790	132,775	125,164	46,433,401
Less accumulated				
depreciation	27,241,233	1,631,283	125,164	28,747,352
Governmental capital assets, net	<u>\$ 19,184,557</u>	<u>\$ (1,498,508)</u>	<u>\$ -</u>	<u>\$ 17,686,049</u>
Business-type Activities				
Buildings	\$ 67,500	\$ -	\$ -	\$ 67,500
Technology equipment	17,398	-	1,525	15,873
General equipment	491,603	11,706	-	503,309
Total historical cost	576,501	11,706	1,525	586,682
Less accumulated				
depreciation	327,856	28,894	1,525	355,225
Business-type capital assets, net	<u>\$ 248,645</u>	<u>\$ (17,188)</u>	<u>\$ -</u>	<u>\$ 231,457</u>

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$ 581,718
District administrative	535
School administrative	53
Business	325
Plant operation and maintenance	718,849
Student transportation	329,803
	<u>\$ 1,631,283</u>

BREATHITT COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS—CONTINUED
Year Ended June 30, 2018

6. CAPITAL LEASE PAYABLE

The District has entered into a capital lease agreement for buses under which the buses will become the property of the District when all the terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2018:

Description	Maturity	Interest Rates	Original Issue	Balance June 30, 2017	Debt Issued	Debt Paid	Balance June 30, 2018	Due Within One Year
KISTA:								
2009	March, 2019	2.0 - 3.9%	236,876	44,300		21,757	22,543	22,543
2010A	March, 2020	1.00 - 3.30%	161,709	47,391		17,003	30,388	14,832
2010	March, 2020	2.0% - 3.9%	240,039	94,244		24,730	69,514	25,468
2012	March, 2022	2.00% - 2.6%	559,152	273,558		56,087	217,471	57,376
2013	March, 2023	2.00% - 3.00%	258,815	151,947		25,523	126,424	26,166
2014	March, 2024	2.00% - 3.00%	279,368	191,811		26,980	164,831	27,489
2014	June, 2034	3.00% - 3.50%	213,648	187,836		8,927	178,909	3,879
2015	March, 2025	1.00% - 2.625%	201,361	158,630		19,214	139,416	19,521
2016	March, 2026	2.00% - 2.625%	182,336	162,565		19,994	142,571	17,320
2017	March, 2027	2.00% - 2.625%	268,845	268,845	-	28,147	240,698	29,488
				<u>\$ 2,602,149</u>	<u>\$ 1,581,127</u>	<u>\$ -</u>	<u>\$ 1,332,765</u>	<u>\$ 244,082</u>

The following table presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2018:

Year	Principal	Interest	Total
2019	244,082	34,165	278,247
2020	222,441	25,322	247,763
2021	202,082	22,701	224,783
2022	179,232	17,688	196,920
2023	125,899	13,364	139,263
2024-2028	278,678	31,098	309,776
2029-2033	65,782	9,614	75,396
2034	14,569	511	15,080
Totals	<u>\$ 1,332,765</u>	<u>\$ 154,463</u>	<u>\$ 1,487,228</u>
Less: amounts representing interest			<u>(154,463)</u>
Net capital lease liability			<u>\$ 1,332,765</u>

7. LONG-TERM OBLIGATIONS

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Breathitt County School District Finance Corporation.

BREATHITT COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS--CONTINUED
Year Ended June 30, 2018

7. LONG-TERM OBLIGATIONS-CONTINUED

The original amount of each issue, the issue date, and interest rates of bonded debt and lease obligations are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2007R	\$ 2,690,000	3.5% - 4.3%
2008	2,850,000	3.25% - 4.00%
2012	765,000	1.5% - 2.375%
2013R	750,000	2.15%
2014	295,000	2.00% - 3.00%
2015R	2,150,000	1.00% - 2.00%
2015	7,990,000	2.00% - 3.25%
2015WW	530,000	3.10%
2016R	2,350,000	2.00% - 3.00%

The District, through the General Fund, including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Breathitt 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 District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008, the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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 minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2018 for debt service (principal and interest) are as follows:

See table on next page

BREATHITT COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS--CONTINUED
Year Ended June 30, 2018

7. LONG-TERM OBLIGATIONS-CONTINUED

Year	Breathitt County School District		Kentucky School Facility Construction Commission		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2018-19	\$ 814,284	\$ 268,222	\$ 205,716	\$ 70,021	\$ 1,020,000	\$ 338,243
2019-20	835,070	254,589	209,930	65,807	1,045,000	320,396
2020-21	870,768	238,741	214,232	61,506	1,085,000	300,247
2021-22	641,380	226,433	218,620	57,118	860,000	283,551
2022-23	661,849	211,954	223,151	52,585	885,000	264,539
2023-24	692,223	197,099	227,777	47,959	920,000	245,058
2024-25	648,133	181,312	186,867	43,129	835,000	224,441
2025-26	614,179	167,129	190,821	39,175	805,000	206,304
2026-27	639,919	152,948	195,081	34,915	835,000	187,863
2027-28	689,065	133,711	200,935	29,063	890,000	162,774
2028-29	443,560	112,921	96,440	23,035	540,000	135,956
2029-30	475,667	99,570	99,333	20,142	575,000	119,712
2030-31	502,687	85,255	102,313	17,162	605,000	102,417
2031-32	474,618	70,826	105,382	14,092	580,000	84,918
2032-33	536,325	55,995	108,675	10,799	645,000	66,794
2033-34	582,929	39,234	112,071	7,403	695,000	46,637
3034-35	624,286	20,289	115,714	3,760	740,000	24,049
	<u>\$ 10,746,942</u>	<u>\$ 2,516,228</u>	<u>\$ 2,813,058</u>	<u>\$ 597,671</u>	<u>\$ 13,560,000</u>	<u>\$ 3,113,899</u>

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2018 is as follows:

School Building Revenue Bonds	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
2007R	\$ 500,000	\$ -	\$ 455,000	\$ 45,000
2008	75,000	-	75,000	-
2012	620,000	-	45,000	575,000
2013R	705,000	-	15,000	690,000
2014	255,000	-	20,000	235,000
2015R	1,905,000	-	110,000	1,795,000
2015	7,670,000	-	180,000	7,490,000
2015WW	485,000	-	45,000	440,000
2016R	2,310,000	-	20,000	2,290,000
Net Pension Liability	5,827,679	977,435	-	6,805,114
Net OPEB - CERS	1,575,874	761,370	-	2,337,244
Net OPEB - KTRS	4,850,000	49,000	-	4,899,000
KSBIT bonded debt	579,387	-	66,169	513,218
Accrued sick leave	250,975	-	14,196	236,779
	<u>\$ 27,608,915</u>	<u>\$ 1,787,805</u>	<u>\$ 1,045,365</u>	<u>\$ 28,351,355</u>

8. RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement as described below. The two pension plans are County Employees Retirement System (CERS) and the Kentucky Teachers Retirement System (KTRS).

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

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service 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

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.

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

Funding Policy - Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 19.18% of the employee's total compensation subject to contribution.

8. 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/>

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

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

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

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

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

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

8. RETIREMENT PLANS - CONTINUED

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$	6,805,114
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>69,382,889</u>
	\$	<u><u>76,188,003</u></u>

The net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the District's proportion was 0.11626%.

For the year ended June 30, 2018, the District recognized pension expense of \$657,712 related to CERS and \$2,465,130 related to KTRS. The District also recognized revenue of \$2,465,130 for KTRS support provided by the Commonwealth. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,441	\$ 172,743
Changes of assumptions	1,255,728	-
Net difference between projected and actual earnings on pension plan investments	538,957	454,785
Changes in proportion and differences between District contributions and proportionate share of contributions	30,167	111,458
District contributions subsequent to the measurement date	<u>394,918</u>	<u>-</u>
Total	<u><u>\$ 2,228,211</u></u>	<u><u>\$ 738,986</u></u>

BREATHITT COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS—CONTINUED
Year Ended June 30, 2018

8. RETIREMENT PLANS - CONTINUED

The \$394,918 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:		
2018	\$	464,665
2019	\$	500,264
2020	\$	216,759
2021	\$	(87,381)
	\$	<u>1,094,307</u>

Actuarial assumptions—The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.25%	3.00%
Projected salary increases	4.00%	3.50-7.30%
Investment rate of return, net of investment expense & inflation	7.50%	7.50%
Municipal bond index rate		3.56%
Single equivalent interest rate		4.49%

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:

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

8. RETIREMENT PLANS - CONTINUED

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 8,582,719	\$ 6,805,114	\$ 5,318,160
KTRS	3.49%	4.49%	5.49%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position—Detailed information about the CERS and the KTRS pension plans' fiduciary net position, projected benefits, and projected funding status is available in the separately issued financial reports at <http://kyret.ky.gov/> and <https://gov.state.ky.us>, respectively.

The District also offers employees the option to participate in a defined contribution plan under Section 403 (B), 401(K) and 457 of the Internal Revenue Code. All employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute of these plans.

The District's total payroll for the year for employees covered under pensions plans was \$11,595,227. The payroll for employees covered under KTRS was \$8,883,972 and for CERS was \$2,711,255.

The contribution requirement for CERS for the years ended June 30, 2018, 2017, and 2016 was \$523,103, \$529,292, and \$485,264, respectively. The contribution requirement KTRS for the years ended June 30, 2018, 2017, and 2016, was \$2,465,130, \$1,293,488, and \$1,276,545, respectively. Per KTRS, all contributions made by the District are for health insurance and should not be considered contributions towards retirement. The District met their contribution requirements.

9. OTHER POSTEMPLOYMENT BENEFITS PLAN

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

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:

9. OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Medical Insurance Plan

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

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

Funding policy—In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3.0%) from the employer.

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

At June 30, 2018, the District reported a liability of \$4,899,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on 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, 2017 the District's proportion was .13738 percent.

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

District's proportionate share of the KTRS net OPEB liability	\$	4,899,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		<u>4,002,000</u>
	\$	<u>8,901,000</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$112,000 and revenue of \$194,619 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

See table on next page

BREATHITT COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS—CONTINUED
Year Ended June 30, 2018

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	63,000
District contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 63,000</u>

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:	
2018	\$ (16,000)
2019	\$ (16,000)
2020	\$ (16,000)
2021	\$ (15,000)
	<u>\$ (63,000)</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50-7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5% by FY 2020
Medicare Part B	1.02% for FY 2017 with an ultimate rate of 5% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distributions 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.

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	\$ 5,703,309	\$ 4,899,000	\$ 4,226,854

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>
KTRS			
District's proportionate share of net OPEB liability	\$ 4,101,936	\$ 4,899,000	\$ 5,880,506

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.

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

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.

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

At June 30, 2018, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability that was associated with the District were as follows:

District's proportionate share of the KTRS net OPEB	
Life Insurance Plan liability	\$ -
Commonwealth's proportionate share of the KTRS net	
OPEB Life Insurance liability associated with the District	<u>54,000</u>
	<u>\$ 54,000</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,391 and revenue of \$3,391 for support provided by the State.

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	6.50%	7.50%	8.50%
District's proportionate share of net OPEB liability - Life Insurance \$	\$ 89,000	\$ 54,000	\$ 25,000

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

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 provided OPEBs through the County Employees Retirement System Non-Hazardous (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides hospital and medical insurance for eligible members receiving benefits from the pension plan. Employees are vested in the plan after five years' service. For plan purposes, employees are grouped into two groups, based on hire date. Members who reach a minimum vesting period of 10 years, and began participating on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. For members participating prior to July 1, 2003, are paid up to a maximum of \$13.18 per month for every year of earned service. The percentage of the maximum monthly benefit paid is based on years of service as follows:

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

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

Tier 1	Participation date	Before September 1, 2008
	Contribution percentage	0.00%
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Contribution percentage	1%
Tier 3	Participation date	After December 31, 2013
	Contribution percentage	1%

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

At June 30, 2018, the District reported a liability of \$2,337,244 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 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, 2017 the District's proportion was .116261 percent.

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

District's proportionate share of the CERS net pension liability	\$	2,337,244
net OPEB liability		
Commonwealth's proportionate share of the CERS net		
OPEB liability associated with the District		-
	\$	<u>2,337,244</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$10,401. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

BREATHITT COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS—CONTINUED
Year Ended June 30, 2018

9. OTHER POSTEMPLOYMENT BENEFITS PLAN—CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,492
Changes of assumptions	508,570	-
Net difference between projected and actual earnings on pension plan investments	-	110,457
Changes in proportion and differences between District contributions and proportionate share of contributions	-	5,424
District contributions subsequent to the measurement date	<u>128,184</u>	<u>-</u>
Total	<u>\$ 636,754</u>	<u>\$ 122,373</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$128,184 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, 2018. 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:	
2018	\$ 66,449
2019	\$ 66,449
2020	\$ 66,449
2021	\$ 66,449
2022	\$ 94,064
2023	<u>\$ 26,337</u>
	<u>\$ 386,197</u>

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distributions 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.

Discount rate – The Discount rate used to measure the total OPEB liability was 5.84%. 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.

9. OTHER POSTEMPLOYMENT BENEFITS PLAN-CONTINUED

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.84%	5.84%	6.84%
District's proportionate share of net OPEB liability	\$ 2,974,013	\$ 2,337,244	\$ 1,807,352

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>
CERS			
District's proportionate share of net OPEB liability	\$ 1,792,786	\$ 2,337,244	\$ 3,045,007

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

10. DEFERRED COMPENSATION

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

11. OPERATING LEASES

The District leases maintenance equipment when needed and office copiers on an annual basis under operating leases. For the year ended June 30, 2018, aggregate cost for equipment and copier rentals was \$64,426.

12. CONTINGENCIES

Grants - 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 on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2018 may be impaired.

12. CONTINGENCIES-CONTINUED

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

13. LITIGATION

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

14. RISK MANAGEMENT

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. Settled claims resulting from these risks have created a potential liability as discussed in the *Contingencies* disclosure above.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

15. DEFICIT FUND BALANCES

The District's Food Service fund has a deficit net position of \$392,874 as of June 30, 2018. The District's Governmental Activities had an overall deficit net position of \$6,846,214. These deficits are attributable to the adoption of the recent pension and OPEB standards.

16. 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. There were no instances of noncompliance noted.

17. TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Matching	\$ 35,923
Operating	General	Debt Service	Debt Service	267,875
Operating	Capital Outlay	Debt Service	Debt Service	104,156
Operating	Building Fund	Debt Service	Debt Service	681,779
Operating	Special Revenue	Debt Service	Debt Service	20,200
Operating	Building Fund	General	COFT	195,445
Operating	Special Revenue	General	Indirect Costs	14,038
Operating	Food Service	General	Indirect Costs	46,231
Operating	Capital Outlay	General	COFT	66,901

BREATHITT COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS—CONTINUED
Year Ended June 30, 2018

18. ON-BEHALF PAYMENTS

The Commonwealth of Kentucky pays certain expenses on behalf of the District. These expenses include employee health insurance, the employer match of Kentucky Teachers' Retirement System, certain other employee benefits, specific technology expense and debt service. These amounts are included in the fund financial statements; however, the revenues and related expenditures are not budgeted amounts.

The following payments for fringe benefits are included as revenues and expenses on the statement of activities:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$	2,465,130
Medical insurance contributions to KTRS	\$	194,619
Health and Life insurance		1,982,176
Other		(63,852)
Technology		76,725
Debt Service		<u>275,737</u>
	\$	<u>4,930,535</u>

19. FUND BALANCE DESIGNATIONS

The following funds had restricted fund balances as follows:

Fund	Amount	Purpose
Construction	\$ 71,242	Future construction
Food Service	(392,874)	Food service operations
FSPK Fund	339	Future debt service

The following funds had committed fund balances as follows:

Fund	Amount	Purpose
General	\$ 181,988	Sick leave

20. INTERFUND RECEIVABLES AND PAYABLES

The general fund presented an interfund receivable from the special revenue fund of \$221,529 and there was a corresponding presentation of an interfund payable in the special revenue fund.

21. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the District was required to adopt Government Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. It requires that certain disclosures regarding post employment benefits other than OPEBs for employees of school districts be included in their financial statements.

GASB 75 required retrospective application. Since the District only presents one year of financial information, the beginning net OPEB liability was adjusted to reflect the retrospective application. The adjustment resulted in a \$6,425,874 reduction in beginning net position of the Governmental Activities and a \$257,390 reduction in beginning net position of the Business-Type Activities.

22. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through November 15, 2018, which is the date the audit report can be released. There were no events as of the date of the financial statements that would require adjustments or to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BREATHITT COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes:				
Property	\$ 1,330,000	\$ 1,330,000	\$ 1,523,340	\$ 193,340
Motor vehicle	300,000	300,000	305,503	5,503
Utility	600,000	600,000	633,468	33,468
Unmined minerals	20,000	20,000	77,652	57,652
Earnings on investments	6,000	6,000	6,720	720
Other local	5,500	5,500	87,906	82,406
Intergovernmental - State	13,233,558	13,233,558	14,705,415	1,471,857
Intergovernmental - Federal	150,000	150,000	142,101	(7,899)
Total revenues	<u>15,645,058</u>	<u>15,645,058</u>	<u>17,482,105</u>	<u>1,837,047</u>
Expenditures				
Current:				
Instruction	8,445,104	8,437,394	8,596,440	(159,046)
Student	907,297	907,297	993,234	(85,937)
Instructional staff	774,889	774,889	743,832	31,057
District administration	778,143	778,143	762,678	15,465
School administration	1,121,332	1,121,332	1,340,815	(219,483)
Business support	316,436	316,436	339,728	(23,292)
Plant operations and maintenance	1,559,930	1,559,930	1,708,900	(148,970)
Student transportation	1,595,890	1,595,890	1,490,477	105,413
Contingency	500,910	508,620	-	508,620
Debt service	354,235	354,235	354,909	(674)
Total expenditures	<u>16,354,166</u>	<u>16,354,166</u>	<u>16,331,013</u>	<u>23,153</u>
Excess (deficit) of revenues over (under) expenditures	(709,108)	(709,108)	1,151,092	1,860,200
Other financing sources (uses)				
Sale of assets	8,000	8,000	18,821	10,821
Capital lease proceeds	268,845	268,845	-	(268,845)
Transfers in	116,691	116,691	322,615	205,924
Transfers out	(302,875)	(302,875)	(303,798)	(923)
Total other financing sources (uses)	<u>90,661</u>	<u>90,661</u>	<u>37,638</u>	<u>(53,023)</u>
Net change in fund balance	(618,447)	(618,447)	1,188,730	1,807,177
Fund balance as of June 30, 2017	<u>618,447</u>	<u>618,447</u>	<u>800,436</u>	<u>181,989</u>
Fund balance as of June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,989,166</u>	<u>\$ 1,989,166</u>

BREATHITT COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL - SPECIAL REVENUE FUND

Year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Earnings on investments	\$ -	\$ -	\$ 575	\$ 575
Other local	74,143	84,143	121,660	37,517
Intergovernmental - State	1,493,601	1,527,297	1,548,261	20,964
Intergovernmental - Federal	2,373,283	2,612,804	2,524,678	(88,126)
Total revenues	3,941,027	4,224,244	4,195,174	(29,070)
Expenditures				
Current:				
Instruction	2,610,481	2,783,170	2,689,109	94,061
Student	89,960	92,464	79,249	13,215
Instructional staff	865,921	902,842	956,747	(53,905)
Plant operations and maintenance	45,239	67,606	72,600	(4,994)
Student transportation	84,010	116,156	106,894	9,262
Community services	248,462	248,463	292,260	(43,797)
Total expenditures	3,944,073	4,210,701	4,196,859	13,842
Excess (deficit) of revenues over (under) expenditures	(3,046)	13,543	(1,685)	(15,228)
Other financing sources (uses)				
Transfers in	35,000	35,000	35,923	923
Transfers out	(31,954)	(38,543)	(34,238)	4,305
Total other financing sources (uses)	3,046	(3,543)	1,685	5,228
Net change in fund balance	-	10,000	-	(10,000)
Fund balance as of June 30, 2017	-	-	-	-
Fund balance as of June 30, 2018	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>

BREATHITT COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND
Year ended June 30, 2018

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget. The working budget was amended during the year.

BREATHITT COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
June 30, 2018

	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.12%	\$ 6,805,114	\$ 2,711,255	250.99%	55.30%
2017	0.12%	\$ 5,827,679	\$ 2,873,687	202.79%	55.50%
2016	0.12%	\$ 5,006,264	\$ 2,845,655	175.93%	59.97%
2015	0.13%	\$ 4,111,000	\$ 2,960,407	138.87%	66.80%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

BREATHITT COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
June 30, 2018

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$ 394,918	\$ 394,918	\$ -	\$ 2,711,255	14.57%
2017	\$ 529,292	\$ 529,292	\$ -	\$ 2,873,687	18.68%
2016	\$ 485,264	\$ 485,264	\$ -	\$ 2,845,655	17.05%
2015	\$ 483,689	\$ 483,689	\$ -	\$ 2,772,508	17.45%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

BREATHITT COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND Year ended June 30, 2018

Changes of Benefit Terms

None.

Changes of Assumptions

The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

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

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. 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 assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

BREATHITT COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
County Employees Retirement System
June 30, 2018

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.16%	\$ 2,337,244	\$ 2,711,255	86.21%	81.10%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

BREATHITT COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN

County Employees Retirement System

June 30, 2018

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2018	\$ 128,185	\$ 128,185	\$ -	\$ 2,711,255	4.73%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

BREATHITT COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN Year ended June 30, 2018

Changes of Benefit Terms

None.

Changes of Assumptions

The assumed investment return was changed from 7.50% to 6.25%

The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%. For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%.

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

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. 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 assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

BREATHITT COUNTY SCHOOL DISTRICT**SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY****KENTUCKY TEACHERS' RETIREMENT SYSTEM**

June 30, 2018

	<u>State's proportion of net pension liability (asset)</u>	<u>State's proportionate share of the net pension liability (asset)</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2018	100%	\$ 69,382,889	39.83%
2017	100%	\$ 78,611,888	35.22%
2016	100%	\$ 61,724,475	42.49%
2015	100%	\$ 63,279,460	45.59%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

BREATHITT COUNTY SCHOOL DISTRICT
SCHEDULE OF STATE CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
June 30, 2018

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)
2018	\$ 2,465,130	\$ 2,465,130	\$ -
2017	\$ 1,293,488	\$ 1,293,488	\$ -
2016	\$ 1,276,545	\$ 1,276,545	\$ -
2015	\$ 1,491,201	\$ 1,491,201	\$ -

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.
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BREATHITT COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION KENTUCKY TEACHERS RETIREMENT SYSTEM Year ended June 30, 2018

Changes of Benefit Terms

None.

Changes of Assumptions

In the 2001 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest in smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Beginning with the 2014 valuation the interest smoothing methodology is no longer used.

BREATHITT COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
Kentucky Teachers' Retirement System
June 30, 2018

	<u>District's proportion of net OPEB liability (asset)</u>	<u>District's proportionate share of the net OPEB liability (asset)</u>	<u>State's proportionate share of the net OPEB liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total OPEB liability</u>
2018	0.14%	\$ 4,899,000	\$ 4,002,000	\$ 8,883,972	55.14%	21.18%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

BREATHITT COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN

Kentucky Teachers' Retirement System

June 30, 2018

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2018	\$ 266,389	\$ 266,389	\$ -	\$ 8,883,972	3.00%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

BREATHITT COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Kentucky Teachers' Retirement System - Medical Insurance Plan

Year ended June 30, 2018

Changes of Benefit Terms

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

Changes of Assumptions

None.

BREATHITT COUNTY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - LIFE INSURANCE PLAN**

Kentucky Teachers' Retirement System

Year ended June 30, 2018

	<u>State's proportion of net OPEB liability (asset)</u>	<u>State's proportionate share of the net OPEB liability (asset)</u>	<u>Plan fiduciary net position as a percentage of the total OBEP liability</u>
2018	100%	\$ 54,000	79.99%

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.
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BREATHITT COUNTY SCHOOL DISTRICT

SCHEDULE OF STATE CONTRIBUTIONS - LIFE INSURANCE PLAN

Kentucky Teachers' Retirement System

June 30, 2018

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2018	\$ 2,354	\$ 2,354	\$ -

* The amounts presented for each fiscal year were determined as of 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.
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BREATHITT COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS' RETIREMENT SYSTEM - LIFE INSURANCE PLAN
Year ended June 30, 2018**

Changes of Benefit Terms

None.

Changes of Assumptions

None.

BREATHITT COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Construction Fund	Debt Service Fund	Total Non-major Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 339	\$ 71,242	\$ -	\$ 71,581
Total assets	<u>\$ -</u>	<u>\$ 339</u>	<u>\$ 71,242</u>	<u>\$ -</u>	<u>\$ 71,581</u>
FUND BALANCES					
Fund Balances:					
Restricted	\$ -	\$ 339	\$ 71,242	\$ -	\$ 71,581
Nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ -</u>	<u>\$ 339</u>	<u>\$ 71,242</u>	<u>\$ -</u>	<u>\$ 71,581</u>

BREATHITT COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
 Year ended June 30, 2018

	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Construction Fund	Debt Service Fund	Total Non-major Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ -	\$ 415,072	\$ -	\$ -	\$ 415,072
Earnings on investments	-	-	69	-	69
Intergovernmental - State	171,057	462,152	-	275,737	908,946
Intergovernmental - Federal	-	-	-	-	-
Total revenues	<u>171,057</u>	<u>877,224</u>	<u>69</u>	<u>275,737</u>	<u>1,324,087</u>
Expenditures					
Site improvement	-	-	72,878	-	72,878
Debt service	-	-	-	1,349,747	1,349,747
Total expenditures	<u>-</u>	<u>-</u>	<u>72,878</u>	<u>1,349,747</u>	<u>1,422,625</u>
Other financing sources (uses)					
Transfers in	-	-	-	1,074,010	1,074,010
Transfers out	(171,057)	(877,224)	-	-	(1,048,281)
Total other financing sources (uses)	<u>(171,057)</u>	<u>(877,224)</u>	<u>-</u>	<u>1,074,010</u>	<u>25,729</u>
Net change in fund balance	-	-	(72,809)	-	(72,809)
Fund balance as of June 30, 2017	<u>-</u>	<u>339</u>	<u>144,051</u>	<u>-</u>	<u>144,390</u>
Fund balance as of June 30, 2018	<u>\$ -</u>	<u>\$ 339</u>	<u>\$ 71,242</u>	<u>\$ -</u>	<u>\$ 71,581</u>

BREATHITT COUNTY BOARD OF EDUCATION**COMBINED STATEMENT OF REVENUES, EXPENDITURES****AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS**

Year Ended June 30, 2018

<u>School/ Activity Fund</u>	<u>Balances</u> <u>June 30, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Cash</u> <u>Equivalents</u> <u>June 30, 2018</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30, 2018</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2018</u>	<u>Balances</u> <u>June 30, 2018</u>
Highland-Turner Elementary	\$ 11,425	\$ 24,244	\$ 21,459	\$ 14,210	\$ -	\$ -	\$ 14,210
LBJ Elementary	10,264	38,425	40,094	8,595	-	-	8,595
Marie Roberts-Caney Elementary	3,281	23,375	21,729	4,927	-	-	4,927
Sebastian Middle School	<u>16,447</u>	<u>24,019</u>	<u>30,786</u>	<u>9,680</u>	<u>-</u>	<u>-</u>	<u>9,680</u>
Totals	<u>\$ 41,417</u>	<u>\$ 110,063</u>	<u>\$ 114,068</u>	<u>\$ 37,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,412</u>

BREATHITT COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BREATHITT COUNTY HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2018

	Balances June 30, 2017	Receipts	Disbursements	Transfers in (out)	Cash and Cash Equivalents June 30, 2018	Accounts Receivable June 30, 2018	Accounts Payable June 30, 2018	Balances June 30, 2018
Activities Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual	1,699	4,482	3,661	(50)	2,470	-	-	2,470
AP Exam	384	-	-	-	384	-	-	384
AP History	652	-	-	-	652	-	-	652
Art	76	508	497	-	87	-	-	87
Baseball	662	9,704	11,929	2,148	585	-	-	585
Boys Basketball	2,005	25,357	29,958	2,596	-	-	428	(428)
Caring Committee Fund	32	-	-	(32)	-	-	-	-
Concession	7,512	21,323	25,619	1,790	5,006	-	34	4,972
Concession Football	32	5,004	1,042	(3,994)	-	-	-	-
District Sweep	3	3,269	3,272	-	-	-	-	-
Faculty	762	2,297	3,279	530	310	-	-	310
FCCLA	155	-	149	-	6	-	-	6
Elementary Basketball	-	3,155	2,657	(498)	-	-	-	-
FFA	3,917	22,457	26,330	-	44	-	-	44
Football	992	28,640	24,234	755	6,153	-	-	6,153
Golf	941	400	990	377	728	-	-	728
Greenhouse	2,888	5,865	6,458	-	2,295	-	-	2,295
Home Improvement	3,000	372	362	-	3,010	-	-	3,010
Jostens Diplomas	369	1,917	1,380	-	906	-	440	466
Ladycat Softball	1,919	5,615	8,501	985	18	-	-	18
Misc	41	1,226	888	-	379	-	-	379
Prom	-	5,975	4,131	-	1,844	-	-	1,844
ROTC	395	2,612	2,401	-	606	-	-	606
Science Activity	300	-	228	-	72	-	-	72
Senior Class	16,425	1,725	18,150	-	-	-	18,150	(18,150)
Soccer	-	3,218	3,089	377	506	-	-	506
Teens for Christ	120	-	-	-	120	-	-	120
Track	748	1,686	3,019	755	170	-	-	170
TSA	146	-	-	-	146	-	-	146
Volleyball	986	17,047	18,699	755	89	-	-	89
BHS Cheerleaders	301	660	609	-	352	-	-	352
Ladycats Basketball	920	7,568	8,854	3,088	2,722	-	-	2,722
All A Concessions	-	9,771	2,221	(7,550)	-	-	-	-
All A Tournament	-	14,615	12,109	(2,506)	-	-	-	-
SMS/BHS Baseball ADVT FR	273	1,685	1,316	(495)	147	-	-	147
Play	889	2,094	2,355	-	628	-	-	628
BETA	195	3,113	2,807	-	501	-	-	501
Academic Team	105	859	1,338	377	3	-	-	3
Var 55th District Tourney	-	8,856	6,695	(2,161)	-	-	-	-
Dance Little Red	-	1,707	1,201	(505)	1	-	-	1
Band/Chorus	442	4,834	4,804	-	472	-	-	472
Bass Fishing Club	300	125	125	-	300	-	-	300
Student Activities	-	3,301	1,653	(310)	1,338	-	-	1,338
Student Parking	4	60	-	310	374	-	-	374
Senior Trip	1,054	52,977	55,652	1,621	-	-	-	-
Old Yearbooks	146	1,202	1,142	(96)	110	-	-	110
Deaton Char Trst CBT	2,610	-	2,610	-	-	-	-	-
Class of 2021	-	546	382	-	164	-	-	164
Class of 2019	-	1,376	716	703	1,363	-	-	1,363
Clas of 2020	-	84	-	146	230	-	-	230
YSC FRYSC	452	2,500	1,245	-	1,707	-	-	1,707
YSC Catching Dreams	491	-	460	-	31	-	-	31
Y Club	209	5,136	6,229	884	-	-	-	-
Total accounts	\$ 55,552	\$ 296,923	\$ 315,446	\$ -	\$ 37,029	\$ -	\$ 19,052	\$ 17,977

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BREATHITT COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
US Department of Agriculture			
Passed Through State Department of Education:			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553		
Fiscal Year 18		7760005-18	\$ 327,000
Fiscal Year 17		7760005-17	78,635
National School Lunch Program	10.555		
Fiscal Year 18		7750002-18	682,682
Fiscal Year 17		7750002-17	179,086
Summer Food Service Program for Children	10.559		
Fiscal Year 18		7740023-18	37,581
Fiscal Year 17		7740023-17	8,017
Passed Through State Department of Agriculture:			
National School Lunch Program	10.555		
Fiscal Year 18		51-4950	82,478
<i>Child Nutrition Cluster Total</i>			1,395,479
Passed Through State Department of Agriculture:			
Fresh Fruit and Vegetable Program	10.582		
Fiscal Year 18		51-4500-215C	43,852
			43,852
Total US Department of Agriculture			1,439,331
US Department of Education			
Passed Through State Department of Education			
<i>Title I Cluster</i>			
Title I Grants to Local Educational Agencies	84.010		
Fiscal Year 18		3100002-18	631,198
Fiscal Year 17		3100002-17	269,946
Fiscal Year 18		3100102-18	126,376
Fiscal Year 17		3100102-17	57,850
<i>Title I Cluster Total</i>			1,085,370
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		
Fiscal Year 18		313C	31,640
			31,640
<i>Special Education Cluster</i>			
Special Education_ Grants to States	84.027		
Fiscal Year 18		3810002-18	340,818
Fiscal Year 17		3810002-17	211,017
Special Education_Preschool Grants	84.173		
Fiscal Year 18		3800002-18	7,479
Fiscal Year 17		3800002-17	65,811
<i>Special Education Cluster Total</i>			625,125
Career and Technical Education - Basic Grants to States	84.048		
Fiscal Year 18		348D	15,409
Fiscal Year 17		348C	836
			16,245
Rural Education	84.358		
Fiscal Year 18		350D	4,552
Fiscal Year 17		350C	7,598
			12,150

BREATHITT COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Supporting Effective Instruction State Grant	84.367		
Fiscal Year 18		3230002-18	91,840
Fiscal Year 17		3230002-17	<u>1,698</u>
			<u>93,538</u>
Twenty-First Century Community Learning Centers	84.287		
Fiscal Year 18		2-550C	87,561
Fiscal Year 17		5-550B	<u>37,120</u>
			<u>124,681</u>
Passed through KVEC			
Race to the Top - District Grants	84.416		
Fiscal Year 18		436D	<u>115,026</u>
			<u>115,026</u>
Passed through Berea College			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		
Fiscal Year 18		379D	342,600
Fiscal Year 17		379C	<u>24,413</u>
			<u>367,013</u>
Total US Department of Education			<u>2,470,788</u>
Appalachian Regional Commission			
Passed through Morehead University			
Appalachian Research, Technical Assistance, and Demonstration Projects	11.469		
Fiscal year 2018		272D	<u>4,628</u>
			<u>4,628</u>
Total US Department of Commerce			<u>4,628</u>
US Department of Justice			
Passed through the Center for Rural Development			
Congressionally Recommended Awards	16.753		
Fiscal Year 2018		300D	<u>1,022</u>
			<u>1,022</u>
Total US Department of Justice			<u>1,022</u>
US Department of Defense			
Passed through KY Department of Military Affairs			
ROTC	12.000		
Fiscal Year 2018		504D	<u>44,790</u>
			<u>44,790</u>
Total US Department of Defense			<u>44,790</u>
US Department of Health and Human Services			
Passed through KY Department of Education			
Assistance Programs for Chronic Disease Prevention and Control	93.945		
Fiscal Year 2018		442D	<u>3,450</u>
			<u>3,450</u>
Total US Department of Health and Human Services			<u>3,450</u>
Total Expenditure of Federal Awards			<u>\$ 3,964,009</u>

BREATHITT COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Breathitt County School District and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because this Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the District.

2. IN-KIND COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2018 is \$82,478.

3. CLUSTER PROGRAMS

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559
WIA Cluster	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Worker Formula Grants	17.278

4. INDIRECT COST RATE

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



Cloyd & Associates, PSC
Certified Public Accountants

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

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Breathitt County School District
Jackson, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Breathitt County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Breathitt County School District's basic financial statements, and have issued our report thereon dated November 15, 2018.

Internal Control over Financial Reporting

Management of Breathitt County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Breathitt 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 Breathitt County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Breathitt County School District's internal control.

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

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

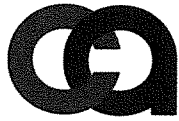
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Compliance and Other Matters

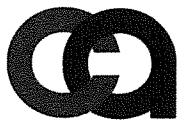
As part of obtaining reasonable assurance about whether Breathitt County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

We noted other matters involving the internal control over financial reporting that we have reported to the management of Breathitt County School District in a separate letter dated November 15, 2018.

Purpose of this Report

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

Cloyd & Associates, PSC
London, Kentucky
November 15, 2018



Cloyd & Associates, PSC
Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Breathitt County School District
Jackson, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Breathitt County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Breathitt County School District's major federal programs for the year ended June 30, 2018. The Breathitt 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 Breathitt 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; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract-General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Breathitt County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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





Cloyd & Associates, PSC
Certified Public Accountants

Opinion on Each Major Federal Program

In our opinion, Breathitt 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, 2018.

Report on Internal Control over Compliance

Management of Breathitt 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 Breathitt 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 Breathitt 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.

Purpose of this Report

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.

Cloyd & Associates, PSC
London, Kentucky
November 15, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BREATHITT COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Noncompliance material to financial statement noted	_____	Yes	<u>✓</u> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____	Yes	<u>✓</u> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

Dollar threshold used to distinguish between Type A and Type B program	\$750,000
Auditee qualified as low risk	<u>✓</u> Yes _____ No

(continued)

BREATHITT COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
Year Ended June 30, 2018

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

BREATHITT COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2018

Status of Prior Year Findings

There were no prior year findings.

MANAGEMENT LETTER COMMENTS



Cloyd & Associates, PSC
Certified Public Accountants

Members of the Board of Education
Breathitt County School District
Jackson, Kentucky

In planning and performing our audit of the basic financial statements of Breathitt 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 basic financial statements and not to provide assurance on the internal control structure.

During our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated November 15, 2018, on the basic financial statements of Breathitt County School District.

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

Respectfully,

Cloyd & Associates, PSC
London, Kentucky
November 15, 2018

BREATHITT COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS JUNE 30, 2018

Prior Year Comments – School Activity Funds

Marie Roberts-Caney Elementary

1. Invoices were not signed to authorize payment as per Redbook guidelines.

This deficiency was corrected in current year

2. Multiple Receipt Forms were not used or not properly completed. The Redbook states "Teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money." Students shall sign the multiple receipt form when turning in money to teacher/sponsor.

This deficiency was not corrected in current year

3. Ticket requisitions were either not present or improperly completed. The Redbook states "The principal or school treasurer shall issue tickets to the person in charge of sales for each event using the Requisition and Report of Ticket Sales (Forms F-SA-1). The person in charge determines the number of tickets to be used, records the beginning ticket number, and signs the form. Ticket procedures and forms instructions must be followed to ensure monies reconcile at end of event.

This deficiency was corrected in current year.

Highland Turner Elementary

4. Multiple Receipt Forms were not used or not properly completed. The Redbook states "Teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money." Students shall sign the multiple receipt form when turning in money to teacher/sponsor.

This deficiency was corrected in current year.

5. Ticket requisitions were either not present or improperly completed. The Redbook states "The principal or school treasurer shall issue tickets to the person in charge of sales for each event using the Requisition and Report of Ticket Sales (Forms F-SA-1). The person in charge determines the number of tickets to be used, records the beginning ticket number, and signs the form. Ticket procedures and forms instructions must be followed to ensure monies reconcile at end of event.

This deficiency was corrected in current year.

Breathitt County High School

6. Ticket requisitions were either not present or improperly completed. The Redbook states "The principal or school treasurer shall issue tickets to the person in charge of sales for each event using the Requisition and Report of Ticket Sales (Forms F-SA-1). The person in charge determines the number of tickets to be used, records the beginning ticket number, and signs the form. Ticket procedures and forms instructions must be followed to ensure monies reconcile at end of event.

This deficiency was not corrected in current year.

BREATHITT COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2018

Current Year Comments –School Activity Funds

Marie Roberts-Caney Elementary

1. Multiple Receipt Forms were not used or not properly completed. The Redbook states "Teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money." Students shall sign the multiple receipt form when turning in money to teacher/sponsor.

Management Response: The bookkeeper will ensure the multiple receipt forms are used. The district has purchased two part forms for schools to use. The bookkeeper along with the principal attended a Redbook training on August 16, 2017. Since this finding was not corrected last year the district finance officer will follow up during the school year to ensure this is corrected.

The District will schedule training for the school faculty on the importance and proper use of the multiple receipt form. Training will be scheduled for no later than January 2019, to ensure that multiple receipts are properly completed and maintained.

Breathitt County High School

2. Ticket requisitions were either not present or improperly completed. The Redbook states "The principal or school treasurer shall issue tickets to the person in charge of sales for each event using the Requisition and Report of Ticket Sales (Forms F-SA-1). The person in charge determines the number of tickets to be used, records the beginning ticket number, and signs the form. Ticket procedures and forms instructions must be followed to ensure monies reconcile at end of event.

Management Response: Breathitt High School has hired a new finance clerk and she along with the principal attended a Redbook training on August 16, 2017. The bookkeeper also attended a training with the district finance staff on October 5, 2017. The bookkeeper will ensure the staff is using the ticket requisition form correctly. Since this finding was not corrected last year the district finance officer will follow up during the school year to ensure this is corrected. The principal will also be reviewing the procedure in the December staff meeting.

A new finance clerk was hired again this year creating the possibility for continued errors in completing the Ticket Requisition Form correctly. District staff has observed ticket sales already once this year at a football game. Continued observations will occur with feedback for improving the process and the proper completion of the Ticket Requisition Form. Finance Officer will discuss the possibility of scheduling training for school faculty in the proper procedure for ticket sales and completion of the Ticket Requisition Form. This may be schedule in the winter of 2019.