

**BATH COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Bath County School District  
Owingsville, Kentucky

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 9 and the Schedule of District's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of District's Proportionate Share of the Net OPEB Liability, Schedule of OPEB Contributions on pages 52 through 61 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 Bath County School District's basic financial statements. The combining and individual non-major 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 Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major 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 non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of Bath County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley Dalloway Smith Doolby, PSC

Ashland, Kentucky  
October 24, 2019

**BATH COUNTY SCHOOL DISTRICT  
OWINGSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
FOR THE YEAR ENDED JUNE 30, 2019**

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

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for all funds of the District, excluding agency funds, was approximately \$14,717,184 and the ending balance was approximately \$10,383,503, a decrease of approximately \$4,333,681 for the year primarily due to the previously issued bond funds being spent on construction activities.
- The General Fund had \$17,277,625 in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$16,642,158 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt decreased by \$1,697,229 during the current fiscal year.
- Net pension liabilities required to be recorded under GASB No. 68 decreased during the year. Non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the pension liability was \$6,176,604 as of June 30, 2018, which represents a decrease of \$162,294 from the June 30, 2017 balance of \$6,338,898. The Kentucky Teachers Retirement System covers the District's professional staff members. The District's allocated pension liability as of June 30, 2018 was \$33,568,027, which represents a decrease of \$40,001,774 from the June 30, 2017 balance of \$73,569,801. However, this pension liability is the responsibility of the Commonwealth of Kentucky.
- Net OPEB liabilities required to be recorded under GASB 75 decreased during the year. There are two sources of OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System (KTRS) Medical Insurance Plan and Life Insurance Plan covers the District's professional staff members. The District's allocated OPEB liability as of June 30, 2018 for KTRS Medical Insurance Plan was \$8,609,000 with the District's responsibility being \$4,624,000 and the Commonwealth of Kentucky's responsibility being \$3,985,000. The liability for the KTRS Life Insurance Plan is the responsibility of the Commonwealth of Kentucky and the District's allocated amount as of June 30, 2018 was \$68,000. Classified staff members are covered by the County Employee Retirement System Insurance Fund. Under this fund the District's share of OPEB liability was \$1,800,585 as of June 30, 2018. The District does not believe these disclosures will have a major impact on their day to day operations or the financial health of District. The District's bond rating is based on the State's rating so the District has little control over the cost of borrowing.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10 and 11 of this report.

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

The basic fund financial statements can be found on pages 12 through 22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 51 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$5.6 million as of June 30, 2019.

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

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

**Net Position for the period ending June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Current Assets	\$ 10,768,421	\$ 15,116,515
Noncurrent Assets	<u>34,429,247</u>	<u>29,412,733</u>
Total Assets	<u>45,197,668</u>	<u>44,529,248</u>
Deferred Outflows	2,443,864	3,433,631
Current Liabilities	3,751,611	3,680,506
Noncurrent Liabilities	<u>36,711,303</u>	<u>39,394,790</u>
Total Liabilities	<u>40,462,914</u>	<u>43,075,296</u>
Deferred Inflows	1,546,181	933,817
Net Position -		
Net investment in capital assets	9,344,979	2,722,051
Restricted	3,358,578	8,947,551
Unrestricted	<u>(7,071,120)</u>	<u>(7,715,836)</u>
Total Net Position	<u>\$ 5,632,437</u>	<u>\$ 3,953,766</u>

**Comments on Budget Comparisons**

- The District's total governmental funds revenues for the fiscal year ended June 30, 2019, net of interfund transfers were \$23,046,620, compared with \$22,511,959 in 2018. This increase is primarily a result of an increase in property tax and interest income in the current year.
- After adjustments for contingency, the General fund budget compared to actual expenditures varied modestly from line item to line item with the ending actual balance being \$1.8 million less than budget or approximately 13%.
- The total cost of all programs and services for governmental funds was \$27,839,278, compared with \$25,283,917 in 2018. The increase is primarily a result of an increase in spending on construction projects.

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2019, with comparison to 2018.

	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
Local Revenue Sources	\$ 4,479,335	\$ 3,957,742
State and Federal Revenue Sources	<u>14,234,516</u>	<u>23,231,500</u>
Total Revenues	<u>18,713,851</u>	<u>27,189,242</u>
<b>Expenses:</b>		
Instruction	7,670,359	15,706,147
Student Support Services	769,057	1,111,942
Instructional Support	728,379	781,259
District Administration	716,288	981,550
School Administration	706,466	1,263,318
Business and Other Support Services	311,510	458,436
Plant Operations	2,050,607	2,356,413
Student Transportation	1,140,437	1,407,164
Food Service Operations	1,697,079	1,691,732
Child Care Services	161,803	198,063

Community Services	385,873	352,522
Debt service	<u>697,322</u>	<u>523,495</u>
Total Expenses	<u>17,035,180</u>	<u>26,832,041</u>
Revenues Over (Under) Expenses	<u>\$ 1,678,671</u>	<u>\$ 357,201</u>

**Governmental Funds Revenue**

The majority of revenue was derived from state funding making up 73% and federal funding of 10% of total revenue. Local revenues make up 17% of total revenue (16% in 2018).

**District-Wide Support Allocation**

District-wide support services expenditures were Transportation 7%, Maintenance & Operations 12%, and Business Functions 2%.

**Capital Assets**

At the end of June 30, 2019, the District’s investment in capital assets for its governmental and business-type activities was \$34,429,247, representing an increase of \$5,016,514 net of depreciation, from the prior year. Renovations at Bath County High School were still ongoing as of June 30, 2019.

**Debt Service**

At year-end, the District had approximately \$25.5 million in outstanding debt, compared to \$27.2 million last year. The District continues to maintain favorable debt ratings from Moody’s and Standard & Poor’s.

**Budgetary Implications**

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with approximately \$390,473 in contingency (2.59%). The general fund cash balance for beginning the next fiscal year is \$5,219,424.

Results of the current fiscal year and recent historical trends for the District were taken into account when preparing the subsequent year budget. No significant changes in revenue or expense items are foreseeable. The District’s tax rates and tax base remain effectively the same. The District has assessed and considered underlying economical and funding factors at the federal, state, and local levels and other non-financial areas including demographics, local economy and risk of loss of student population that may have a significant impact on the financial statements when preparing subsequent year budgets.

Questions regarding this report should be directed to the Superintendent or to the Finance Officer at (606) 674-6314.

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,859,556	\$ 1,523,947	\$ 10,383,503
Receivables (net of allowances for uncollectibles):			
Taxes	104,639	-	104,639
Other	19,553	5,728	25,281
Intergovernmental	232,243	20,295	252,538
Inventories	-	2,460	2,460
Capital assets, not being depreciated	9,528,921	-	9,528,921
Capital assets, being depreciated, net	24,537,306	363,020	24,900,326
Total assets	<u>43,282,218</u>	<u>1,915,450</u>	<u>45,197,668</u>
<b>Deferred Outflows of Resources</b>			
Deferred savings from refunding bonds	413,325	-	413,325
Deferred outflows - OPEB related	729,768	54,663	784,431
Deferred outflows - pension related	1,027,305	218,803	1,246,108
Total deferred outflows of resources	<u>2,170,398</u>	<u>273,466</u>	<u>2,443,864</u>
<b>Liabilities</b>			
Accounts payable	587,223	857	588,080
Unearned revenue	255,799	-	255,799
Accrued salaries and benefits	991,476	-	991,476
Portion due or payable within one year:			
Debt obligations	1,679,319	-	1,679,319
KSBIT payable	15,982	-	15,982
Interest payable	220,955	-	220,955
Portion due or payable after one year:			
Net OPEB liability	6,068,007	356,578	6,424,585
Net pension liability	5,229,114	947,490	6,176,604
Debt obligations	23,818,274	-	23,818,274
KSBIT payable	15,982	-	15,982
Accrued sick leave	275,858	-	275,858
Total liabilities	<u>39,157,989</u>	<u>1,304,925</u>	<u>40,462,914</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - OPEB related	1,004,326	39,609	1,043,935
Deferred inflows - pension related	401,184	101,062	502,246
Total deferred outflows of resources	<u>1,405,510</u>	<u>140,671</u>	<u>1,546,181</u>
<b>Net Position</b>			
Net investment in capital assets	8,981,959	363,020	9,344,979
Restricted for:			
Capital projects	2,978,278	-	2,978,278
Other purposes	-	380,300	380,300
Unrestricted	(7,071,120)	-	(7,071,120)
Total net position	<u>\$ 4,889,117</u>	<u>\$ 743,320</u>	<u>\$ 5,632,437</u>

The accompanying notes to financial statements are an integral part of this statement.

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instruction	\$ 7,670,359	\$ -	\$ 1,661,408	\$ -	\$ (6,008,951)	\$ -	\$ (6,008,951)
Support services:							
Students	769,057	328,967	240,857	-	(199,233)	-	(199,233)
Instructional staff	728,379	-	601,800	-	(126,579)	-	(126,579)
District administration	716,288	-	2,505	-	(713,783)	-	(713,783)
School administration	706,466	-	-	-	(706,466)	-	(706,466)
Business and other support services	311,510	-	-	-	(311,510)	-	(311,510)
Operation and maintenance of plant	2,050,607	-	52,035	-	(1,998,572)	-	(1,998,572)
Student transportation	1,143,842	-	39,573	-	(1,104,269)	-	(1,104,269)
Food service operations	10,857	-	18,557	-	7,700	-	7,700
Community services	385,873	-	326,247	-	(59,626)	-	(59,626)
Debt service-interest expense	697,322	-	-	1,908,776	1,211,454	-	1,211,454
Total governmental activities	<u>15,190,560</u>	<u>328,967</u>	<u>2,942,982</u>	<u>1,908,776</u>	<u>(10,009,835)</u>	<u>-</u>	<u>(10,009,835)</u>
Business-type activities:							
Food service	1,682,817	71,722	1,861,708	-	-	250,613	250,613
Child Care	161,803	83,745	48,339	-	-	(29,719)	(29,719)
Total business-type activities	<u>1,844,620</u>	<u>155,467</u>	<u>1,910,047</u>	<u>-</u>	<u>-</u>	<u>220,894</u>	<u>220,894</u>
Total primary government	<u>\$ 17,035,180</u>	<u>\$ 484,434</u>	<u>\$ 4,853,029</u>	<u>\$ 1,908,776</u>	<u>\$ (10,009,835)</u>	<u>\$ 220,894</u>	<u>\$ (9,788,941)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 2,478,543	\$ -	\$ 2,478,543
Motor vehicle					344,875	-	344,875
Utilities					602,121	-	602,121
Intergovernmental revenues:							
State					7,472,711	-	7,472,711
Investment earnings					300,286	20,949	321,235
Loss on disposal of assets					(5,513)	-	(5,513)
Other local revenues					253,640	-	253,640
Total general revenues and transfers					<u>11,446,663</u>	<u>20,949</u>	<u>11,467,612</u>
Transfers					58,074	(58,074)	-
Change in net position					1,494,902	183,769	1,678,671
Net position, June 30, 2018					<u>3,394,215</u>	<u>559,551</u>	<u>3,953,766</u>
Net position, June 30, 2019					<u>\$ 4,889,117</u>	<u>\$ 743,320</u>	<u>\$ 5,632,437</u>

The accompanying notes to financial statements are an integral part of this statement.

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

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Construction Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 5,219,424	\$ 145,601	\$ 3,299,472	\$ 195,059	\$ 8,859,556
Receivables (net of allowances for uncollectibles):					
Property taxes	104,639	-	-	-	104,639
Other	19,553	-	-	-	19,553
Intergovernmental - state	58,946	173,297	-	-	232,243
Total assets	<u>\$ 5,402,562</u>	<u>\$ 318,898</u>	<u>\$ 3,299,472</u>	<u>\$ 195,059</u>	<u>\$ 9,215,991</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 102,493	\$ 63,099	\$ 420,774	\$ 857	\$ 587,223
Accrued salaries and benefits	991,476	-	-	-	991,476
Unearned revenue	-	255,799	-	-	255,799
Total liabilities	<u>1,093,969</u>	<u>318,898</u>	<u>420,774</u>	<u>857</u>	<u>1,834,498</u>
<b>Fund balances:</b>					
Restricted	-	-	2,878,698	99,580	2,978,278
Committed	71,796	-	-	94,622	166,418
Unassigned	4,236,797	-	-	-	4,236,797
Total fund balances	<u>4,308,593</u>	<u>-</u>	<u>2,878,698</u>	<u>194,202</u>	<u>7,381,493</u>
Total liabilities and fund balances	<u>\$ 5,402,562</u>	<u>\$ 318,898</u>	<u>\$ 3,299,472</u>	<u>\$ 195,059</u>	<u>\$ 9,215,991</u>

The accompanying notes to financial statements are an integral part of this statement.

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

Fund balances---total governmental funds		\$ 7,381,493
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		34,066,227
Savings from refunding bonds are not available to pay current period expenditures and therefore, not reported in the funds.		413,325
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the governmental funds.		351,563
Certain other liabilities are not due and payable in the current period and therefore, not reported in the funds as follows:		
Accrued interest payable	(220,955)	
Net OPEB liability	(6,068,007)	
Net pension liability	(5,229,114)	(11,518,076)
Some liabilities, including bonds payable, KSBIT payable, and accrued sick leave, are not due and payable in the current period and therefore, are not reported in the funds.		<u>(25,805,415)</u>
Net position of governmental activities		<u>\$ 4,889,117</u>

The accompanying notes to financial statements are an integral part of this statement.

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

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes -					
Property	\$ 1,934,073	\$ -	\$ -	\$ 544,470	\$ 2,478,543
Motor vehicles	344,875	-	-	-	344,875
Utilities	602,121	-	-	-	602,121
Interest income	166,628	133,658	-	-	300,286
Other local revenues	14,531	136,189	-	102,920	253,640
Intergovernmental - State	13,886,430	940,270	-	1,908,776	16,735,476
Intergovernmental - Indirect federal	-	2,002,712	-	-	2,002,712
Intergovernmental - Direct federal	328,967	-	-	-	328,967
Total revenues	<u>17,277,625</u>	<u>3,212,829</u>	<u>-</u>	<u>2,556,166</u>	<u>23,046,620</u>
Expenditures:					
Current:					
Instruction	9,657,979	1,966,658	-	73,825	11,698,462
Support services:					
Students	938,140	240,857	-	224	1,179,221
Instructional staff	198,732	601,800	-	5,753	806,285
District administration	839,909	2,505	-	-	842,414
School administration	1,230,825	-	-	-	1,230,825
Business and other support services	442,410	-	-	-	442,410
Operation and maintenance of plant	1,657,827	52,035	-	-	1,709,862
Student transportation	1,417,790	39,573	-	3,405	1,460,768
Food service operation	-	18,557	-	-	18,557
Community services	64,937	326,247	-	-	391,184
Facilities acquisition and construction	-	-	5,733,218	-	5,733,218
Debt service	193,609	-	-	2,132,463	2,326,072
Total expenditures	<u>16,642,158</u>	<u>3,248,232</u>	<u>5,733,218</u>	<u>2,215,670</u>	<u>27,839,278</u>
Excess (deficiency) of revenues over expenditures	<u>635,467</u>	<u>(35,403)</u>	<u>(5,733,218)</u>	<u>340,496</u>	<u>(4,792,658)</u>
Other financing sources (uses):					
Transfers in	445,492	37,371	-	1,341,397	1,824,260
Transfers out	(37,371)	(1,968)	-	(1,726,847)	(1,766,186)
Total other financing sources and uses	<u>408,121</u>	<u>35,403</u>	<u>-</u>	<u>(385,450)</u>	<u>58,074</u>
Net change in fund balances	1,043,588	-	(5,733,218)	(44,954)	(4,734,584)
Fund balances, June 30, 2018	<u>3,265,005</u>	<u>-</u>	<u>8,611,916</u>	<u>239,156</u>	<u>12,116,077</u>
Fund balances, June 30, 2019	<u>\$ 4,308,593</u>	<u>\$ -</u>	<u>\$ 2,878,698</u>	<u>\$ 194,202</u>	<u>\$ 7,381,493</u>

The accompanying notes to financial statements are an integral part of this statement.

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

Net change in fund balances—total governmental funds \$ (4,734,584)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	6,205,847	
Adjustment to loss on disposal of assets	(5,513)	
Depreciation expense	<u>(1,158,677)</u>	5,041,657

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued sick leave		(75,748)
Interest payable		6,353
Capitalized savings from bond refundings amortization expense		(74,832)
Amortization of bond discounts		(4,896)

Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

KTRS nonemployer support revenue	(6,413,719)	
KTRS pension expense	6,460,024	
CERS contributions	68,662	
CERS pension expense	<u>(480,140)</u>	(365,173)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position.

	<u>1,702,125</u>	
Change in net position of governmental activities		<u><u>\$ 1,494,902</u></u>

The accompanying notes to financial statements are an integral part of this statement.

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

	Food Service Fund	Child Care Fund	Preschool Fund	Total Proprietary Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,521,961	\$ -	\$ 1,986	\$ 1,523,947
Receivables (net of allowances for uncollectibles)				
Intergovernmental - federal	19,620	675	-	20,295
Other	-	5,728	-	5,728
Inventories	2,460	-	-	2,460
Total current assets	<u>1,544,041</u>	<u>6,403</u>	<u>1,986</u>	<u>1,552,430</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	363,020	-	-	363,020
Total noncurrent assets	<u>363,020</u>	<u>-</u>	<u>-</u>	<u>363,020</u>
 Total assets	 <u>1,907,061</u>	 <u>6,403</u>	 <u>1,986</u>	 <u>1,915,450</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows - OPEB related	43,398	11,265	-	54,663
Deferred outflows - pension related	174,792	44,011	-	218,803
Total deferred outflows of resources	<u>218,190</u>	<u>55,276</u>	<u>-</u>	<u>273,466</u>
Total assets and deferred outflows	<u>\$ 2,125,251</u>	<u>\$ 61,679</u>	<u>\$ 1,986</u>	<u>\$ 2,188,916</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 621	\$ 152	\$ 84	\$ 857
Total current liabilities	<u>621</u>	<u>152</u>	<u>84</u>	<u>857</u>
Noncurrent liabilities:				
Net OPEB liability	284,312	72,266	-	356,578
Net pension liability	849,508	97,982	-	947,490
Total liabilities	<u>1,134,441</u>	<u>170,400</u>	<u>84</u>	<u>1,304,925</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - OPEB related	31,674	7,935	-	39,609
Deferred inflows - pension related	80,482	20,580	-	101,062
Total deferred inflows of resources	<u>112,156</u>	<u>28,515</u>	<u>-</u>	<u>140,671</u>
<b>Net Position</b>				
Net Investment in capital assets	363,020	-	-	363,020
Restricted	515,634	(137,236)	1,902	380,300
Total net position	<u>878,654</u>	<u>(137,236)</u>	<u>1,902</u>	<u>743,320</u>
Total liabilities, deferred inflows, and net position	<u>\$ 2,125,251</u>	<u>\$ 61,679</u>	<u>\$ 1,986</u>	<u>\$ 2,188,916</u>

The accompanying notes to financial statements are an integral part of this statement.

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

	Food Service Fund	Child Care Fund	Preschool Fund	Total Proprietary Funds
Operating revenues:				
Lunchroom sales	\$ 71,722	\$ -	\$ -	\$ 71,722
Tuition from individuals	-	79,525	4,220	83,745
Revenue from local sources	-	37,608	-	37,608
Total operating revenues	<u>71,722</u>	<u>117,133</u>	<u>4,220</u>	<u>193,075</u>
Operating expenses:				
Salaries and wages	394,020	93,468	-	487,488
Employee benefits	271,272	50,614	-	321,886
Materials and supplies	966,976	7,874	2,507	977,357
Depreciation	41,993	-	-	41,993
Other operating expenses	8,556	2,370	4,970	15,896
Total operating expenses	<u>1,682,817</u>	<u>154,326</u>	<u>7,477</u>	<u>1,844,620</u>
Operating income (loss)	<u>(1,611,095)</u>	<u>(37,193)</u>	<u>(3,257)</u>	<u>(1,651,545)</u>
Nonoperating revenues (expenses):				
Federal grants	1,654,522	6,506	-	1,661,028
Investment income	20,949	-	-	20,949
Donated commodities	109,783	-	-	109,783
Revenue from state sources (on-behalf)	84,854	4,225	-	89,079
State grants	12,549	-	-	12,549
Total nonoperating revenue (expenses), net	<u>1,882,657</u>	<u>10,731</u>	<u>-</u>	<u>1,893,388</u>
Transfers out	<u>(58,074)</u>	<u>-</u>	<u>-</u>	<u>(58,074)</u>
Increase (decrease) in net position	213,488	(26,462)	(3,257)	183,769
Net position, June 30, 2018	<u>665,166</u>	<u>(110,774)</u>	<u>5,159</u>	<u>559,551</u>
Net position, June 30, 2019	<u>\$ 878,654</u>	<u>\$ (137,236)</u>	<u>\$ 1,902</u>	<u>\$ 743,320</u>

The accompanying notes to financial statements are an integral part of this statement.

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

	Food Service Fund	Child Care Fund	Preschool Fund	Total Proprietary Funds
Cash flows from operating activities:				
Cash received from:				
Lunchroom sales	\$ 71,722	\$ -	\$ -	\$ 71,722
Tuition	-	80,608	4,220	84,828
Other revenues	-	37,608	-	37,608
Cash paid to/for:				
Payments to suppliers and providers of goods and services	(872,828)	(9,182)	(2,524)	(884,534)
Payments to employees	(505,639)	(121,359)	-	(626,998)
Other payments	(8,556)	(2,370)	(4,970)	(15,896)
Net cash provided by (used for) operating activities	<u>(1,315,301)</u>	<u>(14,695)</u>	<u>(3,274)</u>	<u>(1,333,270)</u>
Cash flows from noncapital financing activities:				
Government grants	1,729,430	6,506	-	1,735,936
Transfers to other funds	(58,074)	-	-	(58,074)
Net cash provided by noncapital and related financing activities	<u>1,671,356</u>	<u>6,506</u>	<u>-</u>	<u>1,677,862</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(16,850)	-	-	(16,850)
Net cash used for capital and related financing activities	<u>(16,850)</u>	<u>-</u>	<u>-</u>	<u>(16,850)</u>
Cash flows from investing activities:				
Interest received on investments	20,949	-	-	20,949
Net cash provided by investing activities	<u>20,949</u>	<u>-</u>	<u>-</u>	<u>20,949</u>
Net increase (decrease) in cash and cash equivalents	360,154	(8,189)	(3,274)	348,691
Cash and cash equivalents, June 30, 2018	<u>1,161,807</u>	<u>8,189</u>	<u>5,260</u>	<u>1,175,256</u>
Cash and cash equivalents, June 30, 2019	<u>\$ 1,521,961</u>	<u>\$ -</u>	<u>\$ 1,986</u>	<u>\$ 1,523,947</u>
Reconciliation of operating loss to net cash used by operating activities:				
Operating income (loss)	\$ (1,611,095)	\$ (37,193)	\$ (3,257)	\$ (1,651,545)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:				
Depreciation	41,993	-	-	41,993
Donated commodities	109,783	-	-	109,783
On-behalf revenues	84,854	4,225	-	89,079
Net pension and OPEB adjustment	74,799	18,498	-	93,297
Change in assets and liabilities:				
Inventory	1,516	-	-	1,516
Accounts receivable	-	1,083	-	1,083
Accounts payable	(17,151)	(1,308)	(17)	(18,476)
Net cash provided by (used for) operating activities	<u>\$ (1,315,301)</u>	<u>\$ (14,695)</u>	<u>\$ (3,274)</u>	<u>\$ (1,333,270)</u>
Non-cash items:				
Donated commodities	\$ 109,783	\$ -	\$ -	\$ 109,783
On-behalf payments	84,854	4,225	-	89,079

The accompanying notes to financial statements are an integral part of this statement.

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

	Trust Funds	Activity Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 21,333	\$ 194,846
Accounts receivable	-	-
Total assets	21,333	194,846
<b>Liabilities</b>		
Accounts payable	-	-
Due to students	-	194,846
Total liabilities	-	194,846
<b>Net position held in trust</b>	<b>\$ 21,333</b>	<b>\$ -</b>

The accompanying notes to financial statements are an integral part of this statement.

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

	<u>Trust Funds</u>
Additions -	
Interest income	\$ -
Other local revenues	136
	<u>136</u>
Deductions -	
Benefits paid	<u>1,000</u>
	<u>1,000</u>
Change in net position	(864)
Net position, June 30, 2018	<u>22,197</u>
Net position, June 30, 2019	<u><u>\$ 21,333</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes -				
Property	\$ 1,190,000	\$ 1,190,000	\$ 1,934,073	\$ 744,073
Motor vehicles	225,000	225,000	344,875	119,875
Utilities	575,000	575,000	602,121	27,121
Interest income	3,000	3,000	166,628	163,628
Other local revenues	5,500	5,500	14,531	9,031
Intergovernmental - State	9,028,000	9,028,000	9,245,546	217,546
Intergovernmental - Direct federal	80,000	80,000	328,967	248,967
Total revenues	<u>11,106,500</u>	<u>11,106,500</u>	<u>12,636,741</u>	<u>1,530,241</u>
Expenditures:				
Current:				
Instruction	7,066,259	7,416,102	6,638,613	777,489
Support services:				
Students	694,465	705,368	646,140	59,228
Instructional staff	178,983	183,321	135,248	48,073
District administration	1,124,890	1,151,911	716,662	435,249
School administration	844,690	863,009	836,761	26,248
Business and other support services	287,919	262,379	249,925	12,454
Operation and maintenance of plant	1,710,841	1,769,862	1,426,403	343,459
Student transportation	1,178,152	1,243,772	1,122,708	121,064
Community services	53,534	53,534	35,205	18,329
Debt service	193,610	193,610	193,609	1
Contingency	368,157	451,841	-	451,841
Total expenditures	<u>13,701,500</u>	<u>14,294,709</u>	<u>12,001,274</u>	<u>2,293,435</u>
Excess (deficiency) of revenues over expenditures	<u>(2,595,000)</u>	<u>(3,188,209)</u>	<u>635,467</u>	<u>3,823,676</u>
Other financing sources (uses):				
Proceeds from sale of equipment	5,000	5,000	-	(5,000)
Transfers in	40,000	40,000	445,492	405,492
Transfers out	(50,000)	(50,000)	(37,371)	12,629
Total other financing sources and uses	<u>(5,000)</u>	<u>(5,000)</u>	<u>408,121</u>	<u>413,121</u>
Net change in fund balances	(2,600,000)	(3,193,209)	1,043,588	4,236,797
Fund balances, June 30, 2018	<u>2,600,000</u>	<u>3,193,209</u>	<u>3,265,005</u>	<u>71,796</u>
Fund balances, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,308,593</u>	<u>\$ 4,308,593</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			\$ 4,640,884	
On-behalf payments:				
Instruction			(3,019,366)	
Support services:				
Student support			(292,000)	
Instructional staff support			(63,484)	
District administration			(123,247)	
School administration			(394,064)	
Business and other support services			(192,485)	
Operation and maintenance of plant			(231,424)	
Student transportation			(295,082)	
Community services			(29,732)	
Fund balance, June 30, 2019 (GAAP basis)			<u>\$ 4,308,593</u>	

The accompanying notes to financial statements are an integral part of this statement.

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ 172,000	\$ 172,000	\$ 133,658	\$ (38,342)
Other local revenues	77,578	100,252	136,189	35,937
Intergovernmental - State	829,264	798,640	940,270	141,630
Intergovernmental - Indirect federal	<u>1,633,076</u>	<u>2,020,760</u>	<u>2,002,712</u>	<u>(18,048)</u>
Total revenues	<u>2,711,918</u>	<u>3,091,652</u>	<u>3,212,829</u>	<u>121,177</u>
Expenditures:				
Current:				
Instruction	1,862,334	1,786,359	1,966,658	(180,299)
Support services:				
Students	113,548	280,540	240,857	39,683
Instructional staff	427,532	674,839	601,800	73,039
District administration	-	-	2,505	(2,505)
Operation and maintenance of plant	41,557	42,259	52,035	(9,776)
Student transportation	38,710	45,399	39,573	5,826
Food service operation	-	17,400	18,557	(1,157)
Community services	<u>278,237</u>	<u>291,115</u>	<u>326,247</u>	<u>(35,132)</u>
Total expenditures	<u>2,761,918</u>	<u>3,137,911</u>	<u>3,248,232</u>	<u>(110,321)</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(46,259)</u>	<u>(35,403)</u>	<u>10,856</u>
Other financing sources (uses):				
Transfers in	50,000	50,000	37,371	(12,629)
Transfers out	<u>-</u>	<u>(3,741)</u>	<u>(1,968)</u>	<u>1,773</u>
Total other financing sources and uses	<u>50,000</u>	<u>46,259</u>	<u>35,403</u>	<u>(10,856)</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**(1) REPORTING ENTITY**

The Bath County Board of Education (the “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 Bath County School District (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 as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of this organization’s financial statements may be obtained from the Superintendent or the District’s Finance Officer Brittany Combs at 405 West Main Street, Owingsville, Kentucky 40360.

Bath County Board of Education Finance Corporation - On November 29, 1988, the Bath County, Kentucky, Board of Education resolved to authorize the establishment of the Bath County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Bath County Board of Education also comprise the Corporation’s Board of Directors.

The financial statements of the following entity are not included in the accompanying financial statements.

C.C. Chenault Memorial Trust

The Trust was created to establish agricultural programs for the District. The District receives a quarterly payment from the trust for its agricultural programs. The District had a carryover balance to FY 2019 of \$82,496 and received \$140,119 in quarterly payments in the current year and spent \$217,896 and had a carryover balance of \$4,719 to FY 2020. This activity is recorded in the Special Revenue Fund. The Trust maintains separate accounting records and is not governed or managed by the District.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS**

Basis of Presentation

The accounting policies of the Bath County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

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

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. 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, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

1. The Special Revenue Fund includes federal financial programs where unused balances are returned to the grantor, at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
  2. The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

(D) Debt Service Funds

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

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.
- (B) The Child Care Fund and Preschool Fund are used to account for day care type activities. These are considered major funds of the District due to the nature of the activity.

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

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.
- (B) The Trust Fund is a scholarship fund. The principal and interest earned may be used for scholarships to Bath County High School students.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the 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 it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

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

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

The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were \$.526 per \$100 valuation for real property, \$.526 per \$100 valuation for business personal property and \$.464 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 telegraphic communications services, cablevision services, electric power, water, and gas.

### 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 five thousand dollars (\$5,000) with the exception of real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

#### Interfund Balances

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.

#### Accumulated Unpaid Sick Leave Benefits

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

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

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position. The District has committed \$71,796 for accumulated sick leave as of June 30, 2019.

#### Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See note (14) for these amounts which were not known by the District at the time the budget was adopted.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

#### Cash and Cash Equivalents

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

#### Inventories

Supplies and materials are charged to expenditures when purchased, with the exception of the proprietary funds, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

#### Accrued Liabilities and Long-Term Obligations

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

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

#### Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

When restricted, committed, assigned and unassigned resources are available for use, it is the District's policy to use restricted, committed and assigned resources first, then unassigned resources as they are needed.

## 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 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. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

## 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.

## Bond Issuance Costs

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

## Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

## Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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 Pensions (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 OPEB plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by 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 investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

### Recent Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (“GASB 84”). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the District beginning with its year ending June 30, 2020. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* (“GASB 87”), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the District beginning with its year ending June 30, 2021 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (“GASB 88”), which seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, while providing financial statement users with additional essential information concerning debt. In particular, GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date that the contractual obligation is established, and it clarifies which liabilities governments should include when disclosing information related to debt. Furthermore, this Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including (1) unused lines of credit; (2) assets pledged as collateral for the debt; and (3) terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB 88 was effective for the District beginning with its year ending June 30, 2019. The adoption of this standard did not have a material effect on the District's financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources

measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the District beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

**(3) ESTIMATES**

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

**(4) CASH AND CASH EQUIVALENTS**

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

At year-end, the carrying amount of the District’s total cash and cash equivalents was \$10,599,682 and the related bank balances totaled \$11,188,678. Of the total cash balance, \$271,038 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

Breakdown per financial statements:

Governmental funds	\$ 8,859,556
Proprietary funds	1,523,947
Trust and Agency funds	216,179
	<u>\$ 10,599,682</u>

**(5) LONG-TERM DEBT**

**Bonds**

The original amount of each issue, the issue date and interest rates are summarized as follows:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2009-K	120,186	2.00% - 3.90%
2012-K	166,886	2.00% - 2.63%
2012R	1,100,000	1.10% - 2.35%
2013R	4,350,000	1.00% - 2.25%
2013	1,495,000	1.30% - 4.10%
2013QZAB	3,000,000	0.00%
2014E	1,955,000	1.10% - 3.40%
2014K	185,786	2.00% - 3.00%
2014 KSBIT	127,858	0.00%
2015K	212,062	1.00% - 2.625%
2016K	217,171	2.00% - 2.625%
2016R	6,445,000	1.05% - 2.00%

2017K	119,529	2.55%
2018	11,320,000	3.00% - 3.375%

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 Bath County Fiscal Court and the School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 2012, 2013, 2016 and 2018, the District entered into “participation agreements” with the School Facility construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The 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, 2019, for debt service (principal and interest) are as follows:

Year	Kentucky School Facilities Construction Commission		Bath County School District		Total
	Interest	Principal	Interest	Principal	
2020	\$ 145,993	\$ 623,856	\$ 462,239	\$ 966,144	\$ 2,198,232
2021	136,844	637,134	446,068	982,866	2,202,912
2022	127,375	644,224	429,030	1,000,776	2,201,405
2023	113,570	657,250	409,852	1,017,750	2,198,422
2024	99,439	669,100	390,042	1,040,900	2,199,481
2025-2029	288,372	2,562,326	1,632,526	5,357,674	9,840,898
2030-2035	89,297	588,500	1,020,755	4,541,500	6,240,052
2036-2039	15,817	188,599	295,365	3,651,401	4,151,182
	<u>\$ 1,016,707</u>	<u>\$ 6,570,989</u>	<u>\$ 5,085,877</u>	<u>\$ 18,559,011</u>	<u>\$ 31,232,584</u>

Future minimum debt service on notes payable to KISTA, at June 30, 2019, are as follows:

Year	Principal	Interest	Total
2020	\$ 89,319	\$ 11,915	\$ 101,234
2021	88,308	10,023	98,331
2022	90,317	8,094	98,411
2023	73,478	6,002	79,480
2024	71,789	4,228	76,017
2025-2027	94,205	3,805	98,010
	<u>\$ 507,416</u>	<u>\$ 44,067</u>	<u>\$ 551,483</u>

### KSBIT Payable

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during fiscal year 2013 that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2014, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance (“KEMI”). As a result the District’s portion of the liability was estimated at \$127,858. The District took the option of paying 25% down by August 31, 2014 and financing the remaining balance over 6 years to

be paid in equal annual installments beginning August 31, 2015 with no interest. The following is a schedule by year of payments:

<u>Year Ending</u>	
2020	\$ 15,982
2021	<u>15,982</u>
	<u>\$ 31,964</u>

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

<u>Description</u>	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2019</u>	<u>Due within One Year</u>
General obligation bonds - \$29,665,000 originally issued with interest rates ranging from 0.0% to 4.1%	\$ 26,715,000	\$ -	\$ 1,585,000	\$ 25,130,000	\$ 1,590,000
Discount on bonds	(144,719)	-	(4,896)	(139,823)	-
KISTA Loans with interest rates ranging from 1.0% to 3.9%	608,558	-	101,142	507,416	89,319
KSBIT Liability	47,947	-	15,983	31,964	15,982
Accumulated unpaid sick Leave benefits	200,110	75,748	-	275,858	-
	<u>\$ 27,426,896</u>	<u>\$ 75,748</u>	<u>\$ 1,697,229</u>	<u>\$ 25,805,415</u>	<u>\$ 1,695,301</u>

#### **Net Pension Liability**

The net pension liability is \$5,229,114 and \$947,490 for governmental activities and business-type activities, respectively, at June 30, 2019. See Note 8 for more detailed information.

#### **Net OPEB Liability**

The net OPEB liability is \$6,068,007 and \$356,578 for governmental activities and business-type activities, respectively, at June 30, 2019. See Note 9 for more detailed information.

#### **(6) CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
Non-depreciable:				
Land	\$ 518,317	\$ -	\$ -	\$ 518,317
Construction in progress	3,277,386	5,733,218	-	9,010,604
Depreciable:				
Land improvements	1,081,411	7,500	-	1,088,911
Buildings and improvements	34,135,439	39,143	-	34,174,582
Technology equipment	1,963,350	163,004	48,546	2,077,808
General equipment	854,469	28,470	46,269	836,670
Vehicles	3,362,029	234,512	-	3,596,541
Totals	<u>45,192,401</u>	<u>6,205,847</u>	<u>94,815</u>	<u>51,303,433</u>

Less: accumulated depreciation				
Land improvements	940,995	11,374	-	952,369
Buildings and improvements	10,267,652	801,719	-	11,069,371
Technology equipment	1,681,569	143,720	48,813	1,776,476
General equipment	868,161	31,014	40,489	858,686
Vehicles	2,409,454	170,850	-	2,580,304
Total accumulated depreciation	<u>16,167,831</u>	<u>1,158,677</u>	<u>89,302</u>	<u>17,237,206</u>

Governmental Activities				
Capital Assets - Net	\$ <u>29,024,570</u>	\$ <u>5,047,170</u>	\$ <u>(5,513)</u>	\$ <u>34,066,227</u>

<u>Business-Type Activities</u>				
Buildings and improvements	\$ 308,000	\$ -	\$ -	\$ 308,000
Food service and equipment	559,429	16,850	6,954	569,325
Technology equipment	11,470	-	-	11,470
Vehicles	35,895	-	-	35,895
	<u>914,794</u>	<u>16,850</u>	<u>6,954</u>	<u>924,690</u>

Less: accumulated depreciation				
Building and improvements	62,113	6,160	-	68,273
Food service and equipment	450,384	27,434	-	477,818
Technology equipment	8,605	1,220	6,954	2,871
Vehicles	5,529	7,179	-	12,708
	<u>526,631</u>	<u>41,993</u>	<u>6,954</u>	<u>561,670</u>

Business-Type Activities				
Capital Assets - Net	\$ <u>388,163</u>	\$ <u>(25,143)</u>	\$ <u>-</u>	\$ <u>363,020</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 273,359
Student support services	13,266
Instructional staff support services	23,825
District administration	27,163
School administration	5,435
Business support services	228
Plant operation & maintenance	648,428
Student transportation	166,973
	<u>\$ 1,158,677</u>

## (7) COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of June 30, 2019, as follows:

<u>Year ending</u>	
2020	\$ 58,545
2021	58,545
	<u>\$ 117,090</u>

## (8) RETIREMENT PLANS

### Kentucky Teachers Retirement System

*Plan description:* Teaching-certified employees of the Kentucky School District 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 state. KTRS 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). KTRS is a blended component unit of the

Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

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

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

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

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members 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 members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

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

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

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. University employers contribute 15.865% of salaries of members. For local school district and regional cooperative members 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.

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

At June 30, 2019, the District did not report a liability for its proportionate share of the net pension liability 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 State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net Pension liability	\$ -
Commonwealth's proportionate share of the Net Pension liability associated with the District	33,568,027
	<u>\$ 33,568,027</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2018, the District's proportion was 0.2564%.

For the year ended June 30, 2018, the District recognized pension expense of \$(4,055,498) and revenue of \$(4,055,498) for support provided by the State.

*Actuarial Methods and Assumptions:* The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	3.89%
Inflation	3.0%
Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Post-retirement Benefit Increases	1.50% annually

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2018:

- Increased the Single Equivalent Interest rate (SEIR) from 4.49% to 7.50%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the Board on November 19, 2016.

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

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

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

*\*Includes Hedge Funds, High Yield and Non-US Developed Bonds.*

*Discount Rate:* The discount rate used to measure the total pension liability as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The change in the discount rate from the 4.49% used in the 2017 disclosure reports is considered a change in actuarial assumptions or other inputs under GASB 68.

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

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Commonwealth's proportionate share of the Net Pension liability associated with the District	\$ 45,115,000	\$ 33,568,027	\$ 26,850,000

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

#### County Employees Retirement System

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

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report

may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

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

*Contributions:* Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2019, employers were required to contribute 21.48% (16.22% - pension, 5.26% insurance) of the member's salary. During the year ending June 30, 2019, the District contributed \$430,149 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30 2018, the District's proportion was 0.101427%.

For the year ended June 30, 2019, the District recognized pension expense of approximately \$883,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 201,464	\$ 90,412
Changes of assumptions	603,634	-
Net difference between projected and Actual earnings on investments	-	74,061
Changes in proportion and differences between District contributions and proportionate share of contributions	10,861	337,773
District contributions subsequent to the measurement date	430,149	-
	<u>\$ 1,246,108</u>	<u>\$ 502,246</u>

The \$430,149 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

<u>Year</u>	
2020	\$ 344,723
2021	118,010
2022	(115,871)
2023	(33,149)
	<u>\$ 313,713</u>

*Actuarial Methods and Assumptions:* The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2018
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, closed
Asset Valuation Method	5-year smoothed market
Payroll Growth	2.00%
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

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 4 years for males) is used for the period after disability retirement.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	

Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	6.09%

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

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

	<u>1%</u> <u>Decrease</u> <u>(5.25%)</u>	<u>Current</u> <u>discount rate</u> <u>(6.25%)</u>	<u>1%</u> <u>Increase</u> <u>(7.25%)</u>
District's proportionate share of the net pension liability	\$ 7,776,000	\$ 6,176,604	\$ 4,837,000

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

*Payables to the pension plan:* At June 30, 2019, there was a total payable to CERS of \$45,905, which includes pension and OPEB contributions.

## **(9) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLANS**

### Kentucky Teachers Retirement System OPEB Plans

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

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

## Medical Insurance Plan

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

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

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

## OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Medical Insurance Plan

At June 30, 2019, the District reported a liability of \$8,609,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.24813%.

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

District's proportionate share of the net OPEB liability	\$ 4,624,000
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>3,985,000</u>
	<u>\$ 8,609,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$456,000 and revenue of \$281,000 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 19,000
Changes of assumptions	64,000	-
Net difference between projected and actual earnings on investments	-	237,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	342,000
District contributions subsequent to the measurement date	221,333	-
	<u>\$ 285,333</u>	<u>\$ 598,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$221,333 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year</u>	
2020	\$ (102,000)
2021	(102,000)
2022	(102,000)
2023	(93,000)
2024	(95,000)
Thereafter	(40,000)
	<u>\$ (534,000)</u>

*Actuarial methods and assumptions* – The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal Bond Index Rate	3.89%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

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

*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 (7.00%)</u>	<u>Current discount rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net OPEB liability	\$ 10,096,000	\$ 8,609,000	\$ 7,371,000

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

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 7,139,000	\$ 8,609,000	\$ 10,424,000

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

### **Life Insurance Plan**

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

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

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

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Life Insurance Plan**

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

District's proportionate share of the net OPEB liability	\$ -
Commonwealth's proportionate share of the Net OPEB liability associated with the District	68,000
	\$ 68,000

The net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. An expected total OPEB liability as of June 30, 2018 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2018, the District's proportion was 0.24247%.

For the year ended June 30, 2019, the District recognized OPEB expense of \$11,000 and revenue of \$11,000 for support provided by the State.

*Actuarial methods and assumptions* – The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018

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

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 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.

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

	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash (LIBOR)	2.0%	0.9%
Total	<u>100.0%</u>	

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

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

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

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net OPEB liability	\$ 104,000	\$ 68,000	\$ 39,000

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

County Employees Retirement System Insurance Fund

*Plan description:* The County Employees Retirement System (“CERS”) Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

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

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

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

*Contributions:* CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2019, CERS allocated 5.26% of the 21.48% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2019, the District contributed \$139,494 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

*Implicit Subsidy:* The fully-insured premiums KRS pays for the Kentucky Employees’ Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund**

At June 30, 2019, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30 2018, the District's proportion was 0.10141%.

For the year ended June 30, 2019, the District recognized OPEB expense of approximately \$209,000, including an implicit subsidy of \$29,047. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 209,834
Changes of assumptions	359,604	4,160
Net difference between projected and actual earnings on investments	-	124,025
Changes in proportion and differences between District contributions and proportionate share of contributions	-	107,916
District contributions subsequent to the measurement date	139,494	-
	<u>\$ 499,098</u>	<u>\$ 445,935</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$139,494 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019.

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

<u>Year</u>	
2020	\$ (14,137)
2021	(14,137)
2022	(14,137)
2023	9,950
2024	(36,142)
Thereafter	(17,728)
	<u>\$ (86,331)</u>

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2018
Experience Study	July 1, 2008 - June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	28 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and

Post-65

gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.  
Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	6.09%

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	1% Decrease <u>(4.85%)</u>	Current discount rate <u>(5.85%)</u>	1% Increase <u>(6.85%)</u>
District's proportionate share of the net OPEB liability	\$ 2,339,000	\$ 1,800,585	\$ 1,342,000

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

	1% Decrease <u></u>	Current trend rate <u></u>	1% Increase <u></u>
District's proportionate share of the net OPEB liability	\$ 1,341,000	\$ 1,800,585	\$ 2,343,000

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

*Payables to the OPEB plan:* At June 30, 2019, there was a total payable to CERS of \$45,905, which includes pension and OPEB contributions.

## **(10) COMMITMENTS AND CONTINGENCIES**

The District receives funding from Federal and State government agencies. 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 grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements.

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

The District has outstanding construction commitments of approximately \$2,554,174 at June 30, 2019 for the High School Renovation.

## **(11) RISK MANAGEMENT**

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

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

## **(12) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. It is management's opinion that the District is in compliance with the COBRA requirements.

## **(13) TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 37,371
Operating	Building (FSPK)	Debt Service	Debt Service	999,253
Operating	Food Service	General	Indirect Costs	58,074
Operating	Building (FSPK)	General	Operating Expenses	385,450
Operating	Special Revenue	General	Indirect Costs	1,968
Operating	Capital (SEEK)	Debt Service	Debt Service	342,144

## **(14) ON-BEHALF PAYMENTS**

For the year ended June 30, 2019, total payments of \$5,521,029 were made by the Commonwealth of Kentucky on behalf of the District for life insurance, health insurance, and KTRS matching and administrative fees, and SFCC debt service. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense account on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures and Changes in Fund Balance. The On-Behalf payments are not budgeted in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.

On-behalf payments at June 30, 2019 consisted of the following:

Teacher Retirement	\$ 2,369,220
Health Insurance	2,082,016
Life Insurance	3,407
Admin Fee	28,032
HRA/Dental/Vision	98,446
Federal Reimbursement	(206,475)
Technology	85,317
Debt Service	791,066
<b>Total on-behalf</b>	<u>\$ 5,521,029</u>

**(15) FUND DEFICIT**

As of June 30, 2019, the Child Care Fund had a negative net position of \$137,236. This deficit resulted from the fund's proportionate share of the net pension and OPEB liabilities recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>					
District's proportion of the net pension liability	0.101%	0.108%	0.114%	0.112%	0.106%
District's proportionate share of the net pension liability	\$ 6,176,604	\$ 6,338,898	\$ 5,619,137	\$ 4,804,458	\$ 3,425,000
District's covered payroll	\$ 2,530,829	\$ 2,651,634	\$ 2,739,498	\$ 2,641,239	\$ 2,421,900
District's proportionate share of the net pension liability as a percentage of its covered payroll	244.055%	239.056%	205.116%	181.902%	141.418%
Plan fiduciary net position as a percentage of the total pension liability	53.540%	53.300%	55.500%	59.970%	66.800%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>					
District's proportion of the net pension liability	0.256%	0.273%	0.272%	0.271%	0.269%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	33,568,027	73,569,801	80,308,734	62,972,694	55,311,681
Total	<u>\$ 33,568,027</u>	<u>\$ 73,569,801</u>	<u>\$ 80,308,734</u>	<u>\$ 62,972,694</u>	<u>\$ 55,311,681</u>
District's covered payroll	\$ 8,890,073	\$ 9,239,972	\$ 9,015,981	\$ 8,831,710	\$ 8,435,447
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	59.300%	39.830%	35.220%	42.490%	45.590%

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

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>						
Contractually required contribution	\$ 430,149	\$ 366,464	\$ 369,903	\$ 340,237	\$ 336,776	\$ 332,783
Contributions in relation to the contractually required contribution	<u>430,149</u>	<u>366,464</u>	<u>369,903</u>	<u>340,237</u>	<u>336,776</u>	<u>332,783</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 2,651,967	\$ 2,530,829	\$ 2,651,634	\$ 2,739,498	\$ 2,641,239	\$ 2,421,900
District's contributions as a percentage of its covered payroll	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	\$ 8,529,039	\$ 8,890,073	\$ 9,239,972	\$ 9,015,981	\$ 8,831,710	\$ 8,435,447
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date)	
	2019 (2018)	2018 (2017)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND:</b>		
District's proportion of the net OPEB liability	0.10141%	0.10830%
District's proportionate share of the net OPEB liability	\$ 1,800,585	\$ 2,177,120
District's covered payroll	\$ 2,530,829	\$ 2,651,634
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	71.146%	82.105%
Plan fiduciary net position as a percentage of the total OPEB liability	57.6%	52.4%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:</b>		
District's proportion of the net OPEB liability	0.24813%	0.26263%
District's proportionate share of the net OPEB liability	\$ 4,624,000	\$ 5,154,000
State's proportionate share of the net OPEB liability associated with the District	3,985,000	4,210,000
Total	<u>\$ 8,609,000</u>	<u>\$ 9,364,000</u>
District's covered payroll	\$ 7,900,937	\$ 8,255,348
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	58.525%	62.432%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	21.18%

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

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date)	
	2019 (2018)	2018 (2017)
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:</b>		
District's proportion of the net OPEB liability	0.24247%	0.25671%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	68,000	56,000
Total	<u>\$ 68,000</u>	<u>\$ 56,000</u>
District's covered payroll	\$ 7,900,937	\$ 8,255,348
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	75.000%	79.990%

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

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM</b>			
<b>INSURANCE FUND:</b>			
Contractually required contribution	\$ 139,494	\$ 118,949	\$ 125,414
Contributions in relation to the contractually required contribution	<u>139,494</u>	<u>118,949</u>	<u>125,414</u>
Contribution deficiency (excess)	-	-	-
District's covered payroll	\$ 2,651,967	\$ 2,530,829	\$ 2,651,634
District's contributions as a percentage of its covered payroll	5.26%	4.70%	4.73%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM -</b>			
<b>MEDICAL INSURANCE PLAN:</b>			
Contractually required contribution	\$ 221,333	\$ 237,028	\$ 247,660
Contributions in relation to the contractually required contribution	<u>221,333</u>	<u>237,028</u>	<u>247,660</u>
Contribution deficiency (excess)	-	-	-
District's covered payroll	\$ 7,377,733	\$ 7,900,937	\$ 8,255,348
District's contributions as a percentage of its covered payroll	3.00%	3.00%	3.00%

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

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF OPEB CONTRIBUTIONS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:</b>			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-
District's covered payroll	\$ 7,377,733	\$ 7,900,937	\$ 8,255,348
District's contributions as a percentage of its covered payroll	0.00%	0.00%	0.00%

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

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

**(1) CHANGES OF ASSUMPTIONS**

KTRS

In the 2011 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 smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

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

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2018:

- Increased the Single Equivalent Interest rate (SEIR) from 4.49% to 7.50%

CERS

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- 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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

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

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

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

KTRS

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.0% to 8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2016, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	27 years, closed
Payroll growth	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

**(3) CHANGES OF BENEFITS**

KTRS

There were no changes of benefit terms for KTRS.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

**BATH COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS  
FOR THE YEAR ENDED JUNE 30, 2019**

**(1) CHANGES OF ASSUMPTIONS**

KTRS

*Medical Insurance Plan* - There were no changes of assumptions.

*Life Insurance Plan* - There were no changes of assumptions.

CERS Insurance Fund

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

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

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

KTRS

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

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

*Life Insurance Plan* - The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which

contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Market value
Inflation	3.50%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

CERS Insurance Fund

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

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	27 Years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post-65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

**(3) CHANGES OF BENEFITS**

KTRS

*Medical Insurance Plan* – 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.

*Life Insurance Plan* – There were no changes of benefit terms.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

**SUPPLEMENTARY INFORMATION**

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

	District Activity Fund	SEEK Funds	FSPK Fund	Debt Service Funds	Total Non-Major Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 95,479	\$ -	\$ 99,580	\$ -	\$ 195,059
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ 95,479</u>	<u>\$ -</u>	<u>\$ 99,580</u>	<u>\$ -</u>	<u>\$ 195,059</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
Liabilities:					
Accounts payable	\$ 857	\$ -	\$ -	\$ -	\$ 857
Total liabilities	<u>857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>857</u>
Fund Balances:					
Restricted	-	-	99,580	-	99,580
Committed	94,622	-	-	-	94,622
Total fund balance	<u>94,622</u>	<u>-</u>	<u>99,580</u>	<u>-</u>	<u>194,202</u>
Total liabilities and fund balances	<u>\$ 95,479</u>	<u>\$ -</u>	<u>\$ 99,580</u>	<u>\$ -</u>	<u>\$ 195,059</u>

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

	District Activity Fund	SEEK Fund	FSPK Fund	Debt Service Funds	Total Non-Major Governmental Funds
<b>REVENUES:</b>					
From local sources -					
Property taxes	\$ -	\$ -	\$ 544,470	\$ -	\$ 544,470
Other local revenues	102,920	-	-	-	102,920
Intergovernmental - State	-	177,964	939,746	791,066	1,908,776
Total revenues	<u>102,920</u>	<u>177,964</u>	<u>1,484,216</u>	<u>791,066</u>	<u>2,556,166</u>
<b>EXPENDITURES:</b>					
Current -					
Instruction	73,825	-	-	-	73,825
Student support services	224	-	-	-	224
Instructional staff support services	5,753	-	-	-	5,753
Student transportation	3,405	-	-	-	3,405
Debt service	-	-	-	2,132,463	2,132,463
Total expenditures	<u>83,207</u>	<u>-</u>	<u>-</u>	<u>2,132,463</u>	<u>2,215,670</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>19,713</u>	<u>177,964</u>	<u>1,484,216</u>	<u>(1,341,397)</u>	<u>340,496</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	-	-	-	1,341,397	1,341,397
Operating transfers out	-	(342,144)	(1,384,703)	-	(1,726,847)
Total other financing sources (uses)	<u>-</u>	<u>(342,144)</u>	<u>(1,384,703)</u>	<u>1,341,397</u>	<u>(385,450)</u>
NET CHANGE IN FUND BALANCES	19,713	(164,180)	99,513	-	(44,954)
FUND BALANCE JUNE 30, 2018	<u>74,909</u>	<u>164,180</u>	<u>67</u>	<u>-</u>	<u>239,156</u>
FUND BALANCE JUNE 30, 2019	<u>\$ 94,622</u>	<u>\$ -</u>	<u>\$ 99,580</u>	<u>\$ -</u>	<u>\$ 194,202</u>

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balance June 30, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2019
Bath County High School	\$ 131,564	\$ 235,242	\$ 263,764	\$ 103,042	\$ -	\$ -	\$ 103,042
Bath County Middle School	43,327	143,631	134,803	52,155	-	-	52,155
Owingsville Elementary	19,246	32,563	27,269	24,540	-	-	24,540
Crossroads Elementary	17,786	51,785	54,462	15,109	-	-	15,109
	<u>\$ 211,923</u>	<u>\$ 463,221</u>	<u>\$ 480,298</u>	<u>\$ 194,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,846</u>

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
BATH COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2019**

	Cash Balance June 30, 2018	Receipts	Disburse- ments	Cash Balance June 30, 2019	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2019
General	\$ 12,917	\$ 9,977	\$ 8,408	14,486	\$ -	\$ 14,486
Guidance	2,715	611	1,080	2,246	-	2,246
Student Government	344	281	486	139	-	139
Talented and gifted	673	-	673	-	-	-
Senior trip	6,429	43,367	49,059	737	-	737
After Prom	376	6,963	6,578	761	-	761
Faculty	1,299	1,641	1,475	1,465	-	1,465
Beta Club	1,900	4,220	5,359	761	-	761
FBLA	3,259	6,463	6,918	2,804	-	2,804
FCCLA	2,010	5,583	7,024	569	-	569
FFA	1,541	2,624	2,354	1,811	-	1,811
FEA	246	-	246	-	-	-
Skills USA	195	860	1,055	-	-	-
Solar Car	175	307	482	-	-	-
Engrave It	-	4,378	2,815	1,563	-	1,563
TSA	226	1,035	238	1,023	-	1,023
FCA	130	-	-	130	-	130
AG-Science	170	40	-	210	-	210
Art	1,224	1,530	1,903	851	-	851
Band	2,128	10,901	10,992	2,037	-	2,037
Drama	459	279	126	612	-	612
Strategic Gaming	303	400	688	15	-	15
Hort	19,213	85	12,500	6,798	-	6,798
Journalism	6,524	2,155	2,408	6,271	-	6,271
World Language	9	2,250	1,965	294	-	294
Health/Science	36	-	-	36	-	36
Humanities	3	-	3	-	-	-
Consumer Science	7	1,276	1,279	4	-	4
Language Arts	529	-	97	432	-	432
TRI-M	110	-	100	10	-	10
Culinary	286	124	-	410	-	410
Sped Enterprise	-	310	66	244	-	244
Athletics	24,025	52,126	60,180	15,971	-	15,971
Baseball	2,023	1,200	1,906	1,317	-	1,317
Boys basketball	1,880	1,200	2,610	470	-	470
Cheerleaders	216	1,000	475	741	-	741
Boys Cross Country	1,786	5,667	3,542	3,911	-	3,911
Football	1,625	3,100	1,925	2,800	-	2,800
Girls Cross Country	1,742	-	1,742	-	-	-
Girls Basketball	1,339	3,192	3,127	1,404	-	1,404
Girls Softball	2,178	10,586	9,568	3,196	-	3,196
Girls Track	4,588	3,179	4,555	3,212	-	3,212
Boys Golf	280	1,684	183	1,781	-	1,781
Girls Golf	1,184	-	1,184	-	-	-
Bass Fishing	753	-	308	445	-	445
Boys Soccer	891	1,000	1,128	763	-	763
Girls Soccer	365	1,082	790	657	-	657
Boys Track	1,195	500	707	988	-	988
Girls Volleyball	1,355	1,801	654	2,502	-	2,502
Junior Class	3,676	19,600	18,435	4,841	-	4,841
Sophomore Class	1,267	8,368	8,318	1,317	-	1,317
Senior Class	10,730	9,496	12,355	7,871	-	7,871
Freshman Class	-	2,779	2,779	-	-	-
Youth Service Center	2,473	22	916	1,579	-	1,579
Backpack	557	-	-	557	-	557
	<u>\$ 131,564</u>	<u>\$ 235,242</u>	<u>\$ 263,764</u>	<u>\$ 103,042</u>	<u>\$ -</u>	<u>\$ 103,042</u>

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Passed through to Subrecipients	Expenditures
<u>U.S. Department of Education</u>					
Passed through Kentucky Department of Education:					
Title I Grants to Local Educational Agencies	84.010	310002-17	\$ 972,261	\$ -	\$ 307,040 *
Title I Grants, School Improvement (Part A)	84.010	310002-18	963,242	-	646,115 *
				-	953,155
Special Education Cluster (IDEA):					
Special Education Grants to States - IDEA, Part B	84.027	3810002-17	438,957	-	52,672
Special Education Grants to States - IDEA, Part B	84.027	3810002-18	445,045	-	444,984
Special Education Preschool Grants	84.173	3800002-17	29,619	-	21,559
Special Education Preschool Grants	84.173	3800002-18	30,357	-	22,003
Total Special Education Cluster				-	541,218
Title VI - Rural & Low Income	84.358	3140002-18	36,668	-	33,144
Improving Teacher Quality State Grants	84.367	3230003-17	249,936	-	185,549
Improving Teacher Quality State Grants	84.367	3230002-18	127,282	-	54,849
				-	240,398
Student Support and Academic Enrichment Grant	84.424	3420002-17	21,647	-	19,342
Student Support and Academic Enrichment Grant	84.424	2420002-18	70,160	-	38,886
				-	58,228
Vocational Education Basic Grants to States	84.048	3710002-17	34,629	-	1,311
Vocational Education Basic Grants to States	84.048	3710002-18	34,295	-	30,553
				-	31,864
Passed through Council on Postsecondary Education:					
GEAR Up State Grants	84.334S	KY0000007	15,000	-	995
Passed through Kentucky Educational Development Corporation:					
Migrant Education - State Grant Program	84.011	311D	10,000	-	5,018
Migrant Education - State Grant Program	84.011	311E	164,500	-	121,161
				-	126,179
Total U.S. Department of Education				-	1,985,181
<u>Appalachian Regional Commission</u>					
Pass-through Kentucky Department of Education:					
Appalachian Higher Education Network	23.011	6881	3,252	-	64
Appalachian Higher Education Network	23.011	6888	5,000	-	1,538
Total Appalachian Regional Commission				-	1,602
<u>U.S. Department of Health and Human Services</u>					
Pass-through State Department of Education:					
Improving Student Health and Academic Achievement with Nutrition	93.945	422X1	28,000	-	15,929
Total U.S. Department of Health and Human Services				-	15,929
<u>U.S. Department of Agriculture</u>					
Pass-through Kentucky Department of Education:					
Cash Assistance:					
Child and Adult Care Food Program	10.558	7800016-18	-	-	334
Child and Adult Care Food Program	10.558	7800016-19	-	-	2,585
Child and Adult Care Food Program	10.558	7790021-18	-	-	5,434
Child and Adult Care Food Program	10.558	7790021-19	-	-	38,084
				-	46,437
Fresh Fruit and Vegetable Program	10.582	7720012-19	-	-	24,659
Child Nutrition Cluster:					
National School Lunch Program	10.555	7750002-18	-	-	165,829
National School Lunch Program	10.555	7750002-19	-	-	795,395
Summer Food Service Program for Children	10.559	7690024-18	-	-	3,069
Summer Food Service Program for Children	10.559	7740023-18	-	-	24,295
School Breakfast Program	10.553	7760005-18	-	-	102,808
School Breakfast Program	10.553	7760005-19	-	-	498,536
Cash Assistance Subtotal				-	1,589,932
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555	4000810	-	-	109,783
Total Child Nutrition Cluster				-	1,699,715
Total U.S. Department of Agriculture				-	1,770,811
Total expenditures of Federal awards				\$ -	\$ 3,773,523

\* Denotes major program.

The accompanying notes are an integral part of this schedule.

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE A - BASIS OF PRESENTATION

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, the organization had total inventory of \$2,460.

NOTE D - INDIRECT COST RATES

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



**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Bath County School District  
Owingsville, 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 *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bath County School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 24, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain matters that we reported to management of the District in a separate letter dated October 24, 2019.

## Purpose of this Report

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky  
October 24, 2019



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**S**mith **G**oolsby, PSC

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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Bath County School District  
Owingsville, Kentucky

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

We have audited Bath County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. Bath 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Bath County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bath 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 Bath County School District's compliance.

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

Management of Bath County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 Bath 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.

*Kelley Dalloway Smith Gorsky, PSC*

Ashland, Kentucky  
October 24, 2019

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

**(A) SUMMARY OF AUDIT RESULTS**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   none reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes   x   no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes   x   no

Identification of major federal programs:

Title I Grants to Local Educational Agencies (84.010)

Dollar threshold to distinguish between Type A and Type B Programs:

\$ 750,000

The District qualified as a low risk auditee   x   yes \_\_\_\_\_ no

**(B) FINANCIAL STATEMENT FINDINGS**

None noted in the current year.

**(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted in the current year.

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

There were no findings in the prior year.



**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Bath County School District  
Owingsville, Kentucky

In planning and performing our audit of the financial statements of Bath County School District (the "District") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding this matter. This letter does not affect our report dated October 24, 2019, on the financial statements of the 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.

*Kelley Galloway Smith Goolsby, PSC*

Ashland, Kentucky  
October 24, 2019

**BATH COUNTY SCHOOL DISTRICT**  
**MANAGEMENT LETTER POINTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**2019-001 Food Service Claim Reimbursement**

Statement of Condition: We noted that a food service claim reimbursement request for one month was not accurately calculated. This resulted in the District under-claiming meal reimbursements totaling \$1,248.

Criteria for Condition: 7 CFR sections 210.8(a), 225.9(d) and 225.15(c)(2).

Cause of Condition: Oversight.

Effect of the Condition: Under-claim of \$1,248 under the NSLP program.

Recommendation of the Condition: We recommend that the District implement procedures to ensure that monthly claim reimbursement requests are accurate prior to submission.

Management's Response: Proper procedures have been implanted to ensure that monthly claim reimbursement requests are accurate prior to submission. The Food Service under-claim has now been resolved and deposited.

**2019-002 Bath County High School & Bath County Middle School Booster Clubs**

Statement of Condition: We noted that booster club Annual Financial Reports were not being submitted to the high school or middle school on a timely basis.

Criteria for Condition: Annual Financial Reports of each of the booster clubs should be prepared and submitted to the school within 30 days of month-end.

Cause of Condition: Oversight.

Effect of the Condition: Annual Financial Reports of the booster clubs were not available on a timely basis.

Recommendation of the Condition: We recommend that more care be taken to ensure that the Annual Financial Reports are prepared on a timely basis.

Management Response: Board Policy, 04.312, addresses all the requirements for Annual Financial Reports for submission to the schools. The District shall reinforce the guidelines within the policy. Booster groups will be communicated with and reminded regularly by Athletic Directors/Principals/Bookkeepers, in order to receive the proper reports on a timely basis.

**2019-003 Credit Card Sign In/Out Log**

Statement of Condition: We noted three instances in which a credit card was not returned until 2 business days after the purchase was made. One instance was noted at Bath County High School, one instance was noted at Bath County Middle School and one instance was noted at Crossroads Elementary School.

Criteria for Condition: Credit cards are required to be returned by the next business day after purchase by the *2013 Redbook*.

Cause of Condition: Oversight.

Effect of the Condition: Credit cards can potentially be lost or stolen if not returned in a timely manner.

Recommendation of the Condition: We recommend that more care be taken to ensure that all credit cards are returned in a timely manner.

Management Response: Board Policy, 04.31, addresses the authority/administration of board credit card processes. The District shall reinforce the guidelines within the policy and will ensure proper log in/out procedures of the credit cards. Day-to-day checks will be implemented to make sure that all credit cards have been returned within a timely manner.

## **2019-004 COMPETITIVE BIDDING**

Statement of Condition: We noted an instance in which the District did not utilize competitive bidding for the purchase of technology equipment totaling \$31,814.

Criteria for Condition: KRS 45A.365 and District policy requires that all like items purchased during the fiscal year and exceeding the small purchase threshold, which was \$20,000 at the time of purchase, be purchased through the competitive bidding process.

Cause of Condition: Oversight.

Effect of the Condition: Noncompliance with KRS 45A.365 and District policy.

Recommendation of the Condition: We recommend that the District implement procedures to ensure that all required purchases are awarded through the competitive bidding process.

Management Response: Board Policy, 04.32, addresses all the requirements for Model Procurement Code Purchasing. The District will reinforce the guidelines within the policy. District staff will be sure to follow competitive bid processing on any purchases greater than \$30,000.

### Status of Prior Year Management Points

The prior year conditions have been implemented and corrected, except 2018-001 was repeated as 2019-001, 2018-003 was repeated as 2019-002, and 2018-005 was repeated as 2019-003 above. The Superintendent is the person responsible for initiation of the optional corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.