

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

October 1, 2020

Members of the Board of Education
Whitley County School District
Williamsburg, 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 Whitley County School District (the "District"), as of and for the year ended June 30, 2020, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards; 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 District's Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Change In Accounting Principle

As described in Note 18 to the financial statements, the District adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this item.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, the Schedules of District's Proportionate Share of the Net Pension Liability and Pension Contributions, District's Proportionate Share of the Net OPEB Liability and District Contributions – Medical Insurance Plan and Life Insurance Plan and budgetary comparison information on pages 4-8, 50-58 and 59-61, respectively, 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor and special revenue funds financial statements and the Statements of Receipts, Disbursements and Fund Balances-Activity Funds 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 Requisitions Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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The combining nonmajor and special revenue funds financial statements, the activity fund 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 U.S. generally accepted auditing standards. In our opinion, the combining nonmajor and special revenue funds financial statements, the activity fund 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 1, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Marr, Miller & Myers, PSC

Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2020

This section of the financial statements for the Whitley County School District ("District") presents management's discussion and analysis of the financial performance of the District during the fiscal year that ended on June 30, 2020. As management of the District, we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$7,486,394 in 2020 and \$5,729,387 in 2019. This is an increase of \$1,757,007.
- The General Fund had \$38,586,831 in revenues, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. There were \$38,304,901 in General Fund expenditures.
- Governmental capital assets had a net decrease of \$1,522,706, and business-type capital assets had a net increase of \$183,548 during the current fiscal year.
- The District's total debt decreased \$933,039 during the current fiscal year due to scheduled principal payments of \$1,823,039 and a new bond issue of \$890,000.
- There are two sources of pension liabilities and OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System covers the District's professional staff members. It has analysis performed by Gabriel Roeder Smith (GRS) to determine each Kentucky school district's share of pension and OPEB liabilities for its professional staff. This debt is the responsibility of the State of Kentucky. Our allocated amount was \$0 for pension liabilities and \$9,137,000 for OPEB liabilities, as of June 30, 2020. Our non-professional staff members are covered by the Kentucky County Employees Retirement System. Under this system, the District's share of the pension liabilities was \$17,325,905 and \$4,142,420 for OPEB liabilities, as of June 30, 2020. The District does not believe these disclosures will have a major impact on their day-to-day operations or the financial health of the District. The District's bond rating is based on the State's rating so we have little control over our 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 basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2020

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

The government-wide financial statements can be found on pages 9 through 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 two categories: governmental and proprietary. The proprietary fund is for food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 through 18 of this report.

Notes to the basic 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 basic financial statements can be found on pages 19 through 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Net Position for the period ending June 30, 2020

Fiscal year 2019 government-wide net position compared to 2020 is as follows:

	<u>2020</u>	<u>2019</u>
Current assets	\$ 9,478,196	\$ 7,827,051
Capital assets, net	48,380,184	49,719,342
Deferred outflows of resources	5,597,673	4,518,266
Total Assets and Deferred Outflows of Resources	<u>\$ 63,456,053</u>	<u>\$ 62,064,659</u>
Current liabilities	\$ 3,463,289	\$ 3,063,249
Noncurrent liabilities	55,782,365	57,130,610
Deferred inflows of resources	3,716,543	2,586,975
Total Liabilities and Deferred Inflows of Resources	<u>\$ 62,962,197</u>	<u>\$ 62,780,834</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2020

	<u>2020</u>	<u>2019</u>
Net position		
Net investment in capital assets	\$ 22,476,085	\$ 22,882,204
Restricted (deficit)	65,936	(294,763)
Unrestricted (deficit)	<u>(22,048,165)</u>	<u>(23,303,616)</u>
Total Net Position	<u>\$ 493,856</u>	<u>\$ (716,175)</u>

The most significant change in the financial position of the District since the last audit was the increase in cash and cash equivalents in the amount of \$1,757,007 and the increase in deferred outflows of resources in the amount of \$1,079,407. The District also had an increase in total liabilities and deferred inflows of resources in the amount of \$181,363. These changes were primarily due to the net pension liability (CERS) and net OPEB liability (CERS/KTRS) recognized in the current year. The net investment in capital assets had a decrease in the amount of \$406,119.

The following table presents a summary of revenues and expenditures, Governmental Funds only, for the fiscal years ended June 30:

	<u>2020</u>	<u>Percent</u>	<u>2019</u>	<u>Percent</u>
REVENUES AND OTHER FINANCING SOURCES				
Local revenue sources	\$ 6,942,780	13.62%	\$ 6,655,256	13.16%
State revenue sources	37,317,432	73.22	37,624,469	74.39
Federal revenue sources	5,649,566	11.08	6,128,228	12.12
Bond proceeds, net	872,200	1.71	-	-
Operating transfers (net)	<u>185,338</u>	<u>.37</u>	<u>166,354</u>	<u>.33</u>
Total revenues and other financing sources	<u>50,967,316</u>	<u>100.00</u>	<u>50,574,307</u>	<u>100.00</u>
EXPENDITURES AND OTHER FINANCING USES				
Instruction	32,750,431	64.26	31,869,389	63.02
Student support services	1,428,611	2.80	1,417,692	2.80
Instructional staff	1,642,562	3.22	1,778,491	3.52
District administration	1,229,637	2.41	1,252,572	2.48
School administration	1,583,519	3.11	1,600,997	3.17
Business	832,853	1.63	871,240	1.72
Plant operations and maintenance	3,242,591	6.36	3,193,660	6.31
Student transportation	3,389,680	6.65	3,240,311	6.41
Other non-instructional	9,454	.02	-	-
Site improvements	88,694	.17	-	-
Debt service	2,868,702	5.63	3,038,781	6.01
Community services activities	<u>567,245</u>	<u>1.12</u>	<u>564,287</u>	<u>1.11</u>
Total expenditures and other financing uses	<u>49,633,979</u>	<u>97.38</u>	<u>48,827,420</u>	<u>96.55</u>
Net change in fund balance	<u>\$ 1,333,337</u>	<u>2.62%</u>	<u>\$ 1,746,887</u>	<u>3.45%</u>

The majority of the District's revenues were derived from state revenue sources, making up 73.22% of total revenues in 2020 as compared to 74.39% in 2019. Local revenue sources comprised 13.62% of total revenues in 2020 as compared to 13.16% in 2019. Federal revenue sources comprised 11.08% of total revenues in 2020 as compared to 12.12% in 2019.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2020

The majority of the District's expenditures were for instruction, making up 64.26% of total expenditures in 2020 as compared to 63.02% in 2019. Student transportation comprised 6.65% of the District's total expenditures in 2020 as compared to 6.41% in 2019. Plant operations and maintenance comprised 6.36% of the District's total expenditures in 2020 as compared to 6.31% in 2019. Capital assets of \$463,411 were charged to expenditures in 2020 as compared to \$202,196 in 2019.

COMMENTS ON BUDGET COMPARISONS

In Kentucky, the public schools fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted the final 2019-20 budget with \$1,077,483 in contingency (4.00%).

- The District's total general fund revenues for the fiscal year ended June 30, 2020 were \$38,586,831.
- General fund budgeted revenues compared to actual varied from line item to line item, with the ending actual balance being \$11,699,140 more than budget or 43.51%. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$10,998,452 that were not budgeted. When these are eliminated, overall revenues compared to budget were \$700,688 or 2.61% more than anticipated.
- The District's total general fund expenditures for the fiscal year ended June 30, 2020 were \$38,304,901.
- General fund budgeted expenditures compared to actual varied significantly in instruction with them being \$8,765,793 over budget. These were due primarily to on-behalf payments of \$9,447,881, which were not budgeted. When total on-behalf payments of \$10,998,452 are eliminated, overall expenditures compared to budget were \$3,727,469 or 12.01% less than budget.

CAPITAL ASSETS

At the end of June 30, 2020, the District had \$48,380,184 invested in capital assets. This represents a net decrease of \$1,339,158.

A comparison of the capital assets at June 30 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,423,339	\$ 1,423,339
Buildings, improvements and infrastructure	44,228,819	45,723,473
Machinery and equipment	2,639,332	2,572,530
Construction in progress	88,694	-
Total	<u>\$ 48,380,184</u>	<u>\$ 49,719,342</u>

DEBT ADMINISTRATION

At the end of June 30, 2020, the District had \$25,904,099 in outstanding debt and capital leases compared to \$26,837,138. That is a decrease of 3.48%.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2020

FUTURE BUDGET IMPLICATIONS

The District adopted a budget for 2020-21 with \$1,207,158 in contingency (3.79%). Significant Board action that impacts the finances includes the funding of non-revenue extra-curricular activities, KETS matching funds, KISTA bus lease obligations, the KSBIT liability assessment and utilizing excess building fund and capital outlay monies for facility operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Questions regarding this report should be directed to the Superintendent or to Alicia Logan, Certified Finance Officer, at (606) 549-7000 or by mail at 300 Main Street, Williamsburg, KY 40769.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
June 30, 2020

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 5,485,047	\$ 1,440,738	\$ 6,925,785
Cash with fiscal agent	560,609	-	560,609
Accounts receivable:			
Accounts receivable	190,522	-	190,522
Taxes – current	260,151	-	260,151
Intergovernmental – state	32,878	-	32,878
Intergovernmental – federal	895,953	75,258	971,211
Materials and supplies inventory	-	151,153	151,153
Interfund receivable	385,887	-	385,887
Total current assets	<u>7,811,047</u>	<u>1,667,149</u>	<u>9,478,196</u>
NONCURRENT ASSETS			
Capital assets, net	<u>47,839,345</u>	<u>540,839</u>	<u>48,380,184</u>
DEFERRED OUTFLOWS OF RESOURCES			
Discount on bonds, net	83,959	-	83,959
CERS – pension	3,069,117	666,973	3,736,090
CERS – OPEB	1,273,972	276,840	1,550,812
KTRS – OPEB	226,812	-	226,812
Total deferred outflows of resources	<u>4,653,860</u>	<u>943,813</u>	<u>5,597,673</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>60,304,252</u>	<u>3,151,801</u>	<u>63,456,053</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	382,704	155,303	538,007
Interfund payable	385,887	-	385,887
Accrued salaries and benefits payable	141,338	-	141,338
Deferred revenue	319,109	-	319,109
Current portion of bond obligations	1,694,837	-	1,694,837
Current portion of lease obligations	195,942	-	195,942
Current portion of accumulated sick leave payable	116,000	-	116,000
Current portion of insurance claims payable	72,169	-	72,169
Total current liabilities	<u>3,307,986</u>	<u>155,303</u>	<u>3,463,289</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	23,099,823	-	23,099,823
Noncurrent portion of lease obligations	913,497	-	913,497
Noncurrent portion of accumulated sick leave payable	852,127	-	852,127
Noncurrent portion of insurance claims payable	311,593	-	311,593
Net pension liability – CERS	14,233,231	3,092,674	17,325,905
Net OPEB liability – CERS	3,402,998	739,422	4,142,420

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION (CONTINUED)
June 30, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Net OPEB liability – KTRS	9,137,000	-	9,137,000
Total noncurrent liabilities	<u>51,950,269</u>	<u>3,832,096</u>	<u>55,782,365</u>
DEFERRED INFLOWS OF RESOURCES			
Premium on bonds, net	12,978	-	12,978
CERS – pension	733,048	159,281	892,329
CERS – OPEB	1,300,543	282,589	1,583,132
KTRS – OPEB	<u>1,228,104</u>	<u>-</u>	<u>1,228,104</u>
Total deferred inflows of resources	<u>3,274,673</u>	<u>441,870</u>	<u>3,716,543</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>58,532,928</u>	<u>4,429,269</u>	<u>62,962,197</u>
NET POSITION			
Net investment in capital assets	21,935,246	540,839	22,476,085
Restricted (deficit)	1,884,243	(1,818,307)	65,936
Unrestricted (deficit)	<u>(22,048,165)</u>	<u>-</u>	<u>(22,048,165)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ 1,771,324</u>	<u>\$ (1,277,468)</u>	<u>\$ 493,856</u>

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 33,208,464	\$ -	\$ 19,206,130	\$ -
Support services:				
Student	1,466,600	-	-	-
Instructional staff	1,635,906	-	-	-
District administration	1,241,201	-	298,615	-
School administration	1,606,531	-	-	-
Business	839,588	-	102,551	-
Plant operations and maintenance	3,349,252	-	242,510	-
Student transportation	3,558,455	-	812,245	-
Other non-instructional	9,454	-	-	-
Community services activities	601,465	535,384	-	-
Interest on long-term debt	1,045,663	-	-	-
Bond premium (discount)	6,037	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 48,568,616</u>	<u>\$ 535,384</u>	<u>\$ 20,662,051</u>	<u>\$ -</u>
BUSINESS-TYPE ACTIVITIES:				
Food service	\$ 4,464,877	\$ 62,837	\$ 4,002,032	\$ -
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 4,464,877</u>	<u>\$ 62,837</u>	<u>\$ 4,002,032</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 53,033,493</u>	<u>\$ 598,221</u>	<u>\$ 24,664,083</u>	<u>\$ -</u>

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

**NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION**

Governmental Activities	Business-Type Activities	Total
\$ (14,002,334)		\$ (14,002,334)
(1,466,600)		(1,466,600)
(1,635,906)		(1,635,906)
(942,586)		(942,586)
(1,606,531)		(1,606,531)
(737,037)		(737,037)
(3,106,742)		(3,106,742)
(2,746,210)		(2,746,210)
(9,454)		(9,454)
(66,081)		(66,081)
(1,045,663)		(1,045,663)
(6,037)		(6,037)
<u>(27,371,181)</u>		<u>(27,371,181)</u>
	\$ (400,008)	(400,008)
	<u>(400,008)</u>	<u>(400,008)</u>
		<u>(27,771,189)</u>

GENERAL REVENUES

Taxes			
Property	3,172,394	-	3,172,394
Motor vehicle	839,918	-	839,918
Utilities	1,160,409	-	1,160,409
State and formula grants	22,304,947	-	22,304,947
Earnings on investments	124,574	23,656	148,230
Other local revenues	<u>1,110,101</u>	<u>-</u>	<u>1,110,101</u>
Total general revenues	28,712,343	23,656	28,735,999
Operating transfers (net)	<u>185,338</u>	<u>(185,338)</u>	<u>-</u>
Total general revenues and transfers	<u>28,897,681</u>	<u>(161,682)</u>	<u>28,735,999</u>
Change in net position	<u>1,526,500</u>	<u>(561,690)</u>	<u>964,810</u>
Net position (deficit), July 1, 2019, as previously reported	(397)	(715,778)	(716,175)
Restatement for adoption of GASB 84	<u>245,221</u>	<u>-</u>	<u>245,221</u>
Net position (deficit), July 1, 2019, as restated	<u>244,824</u>	<u>(715,778)</u>	<u>(470,954)</u>
Net position (deficit), June 30, 2020	<u>\$ 1,771,324</u>	<u>\$ (1,277,468)</u>	<u>\$ 493,856</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 4,274,972	\$ 268,923	\$ 941,152	\$ 5,485,047
Cash with fiscal agent	-	-	560,609	560,609
Accounts receivable:				
Accounts receivable	44,531	145,991	-	190,522
Taxes – current	260,151	-	-	260,151
Intergovernmental – state	-	32,878	-	32,878
Intergovernmental – federal	15,426	880,527	-	895,953
Interfund receivable	385,887	-	-	385,887
TOTAL ASSETS AND RESOURCES	<u>\$ 4,980,967</u>	<u>\$ 1,328,319</u>	<u>\$ 1,501,761</u>	<u>\$ 7,811,047</u>
LIABILITIES				
Accounts payable	\$ 25,863	\$ 355,226	\$ 1,615	\$ 382,704
Accrued salaries and benefits payable	141,338	-	-	141,338
Interfund payable	-	385,887	-	385,887
Deferred revenue	-	319,109	-	319,109
TOTAL LIABILITIES	<u>167,201</u>	<u>1,060,222</u>	<u>1,615</u>	<u>1,229,038</u>
FUND BALANCES				
Restricted				
Sick leave payable	116,000	-	-	116,000
Debt service	-	-	560,609	560,609
Future construction projects (BG-1)	-	-	784,025	784,025
District wide activity funds	-	268,097	155,512	423,609
Committed				
Other lease obligations	268,111	-	-	268,111
Unassigned	4,429,655	-	-	4,429,655
TOTAL FUND BALANCES	<u>4,813,766</u>	<u>268,097</u>	<u>1,500,146</u>	<u>6,582,009</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,980,967</u>	<u>\$ 1,328,319</u>	<u>\$ 1,501,761</u>	<u>\$ 7,811,047</u>

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2020

Total fund balance per fund financial statements	\$ 6,582,009
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	
Capital assets	47,839,345
Deferred outflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position.	
Pension and OPEB contributions subsequent to measurement date	1,236,492
Pension and OPEB plan investment differences and assumption changes	3,333,409
Bond discount	83,959
Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position.	
Unfunded pension liability	(14,233,231)
Unfunded OPEB liability – CERS	(3,402,998)
Unfunded OPEB liability – TRS	(9,137,000)
Deferred inflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position.	
Pension and OPEB plan investment differences	(3,261,695)
Bond premium	(12,978)
Certain liabilities (such as bonds payable, claims payable and accrued sick leave) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	
Bond obligations	(24,794,660)
Lease obligations	(1,109,439)
Insurance claims payable	(383,762)
Accrued sick leave	(968,127)
Net position (deficit) of governmental activities	<u>\$ 1,771,324</u>

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	General Fund	Special Revenue Funds
REVENUES		
From local sources:		
Taxes		
Property	\$ 2,730,319	\$ -
Motor vehicle	839,918	-
Utilities	1,160,409	-
Earnings on investments	90,879	5,109
Other local revenues	222,112	1,401,527
Intergovernmental – state	33,335,477	2,108,600
Intergovernmental – indirect federal	207,717	4,973,017
Intergovernmental – direct federal	-	65,660
TOTAL REVENUES	<u>38,586,831</u>	<u>8,553,913</u>
EXPENDITURES		
Instruction	25,427,046	7,166,236
Support services:		
Student	1,327,431	101,180
Instructional staff	1,029,655	612,907
District administration	1,229,637	-
School administration	1,556,895	26,624
Business	832,853	-
Plant operations and maintenance	3,242,314	277
Student transportation	3,379,970	5,524
Other non-instruction	-	9,454
Site improvements	-	-
Debt service	233,962	-
Payment of bonds	-	-
Payment of interest	-	-
Community services activities	45,138	522,107
TOTAL EXPENDITURES	<u>38,304,901</u>	<u>8,444,309</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>281,930</u>	<u>109,604</u>
OTHER FINANCING SOURCES (USES)		
Bond proceeds	-	-
Bond premium (discount)	-	-
Operating transfers in	269,199	75,204
Operating transfers out	(75,204)	(161,932)
TOTAL OTHER FINANCING SOURCES (USES)	<u>193,995</u>	<u>(86,728)</u>
NET CHANGES IN FUND BALANCES	<u>475,925</u>	<u>22,876</u>
FUND BALANCES, JULY 1, 2019, as previously reported	4,337,841	-
Restatement for adoption of GASB 84	-	245,221
Fund balances, July 1, 2019, as restated	<u>4,337,841</u>	<u>245,221</u>
FUND BALANCES, JUNE 30, 2020	<u>\$ 4,813,766</u>	<u>\$ 268,097</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 442,075	\$ 3,172,394
-	839,918
-	1,160,409
28,586	124,574
21,846	1,645,485
1,873,355	37,317,432
-	5,180,734
<u>403,172</u>	<u>468,832</u>
<u>2,769,034</u>	<u>49,909,778</u>
157,149	32,750,431
-	1,428,611
-	1,642,562
-	1,229,637
-	1,583,519
-	832,853
-	3,242,591
4,186	3,389,680
-	9,454
88,694	88,694
-	233,962
1,622,628	1,622,628
1,012,112	1,012,112
-	567,245
<u>2,884,769</u>	<u>49,633,979</u>
<u>(115,735)</u>	<u>275,799</u>
890,000	890,000
(17,800)	(17,800)
1,929,510	2,273,913
<u>(1,851,439)</u>	<u>(2,088,575)</u>
<u>950,271</u>	<u>1,057,538</u>
<u>834,536</u>	<u>1,333,337</u>
665,610	5,003,451
-	245,221
<u>665,610</u>	<u>5,248,672</u>
<u>\$ 1,500,146</u>	<u>\$ 6,582,009</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Net change in total fund balances per fund financial statements	\$ 1,333,337
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	
Purchase of capital assets	463,411
Depreciation expense	(1,986,117)
Bond proceeds are reported as other financing sources in the governmental funds, but are shown as an increase in the noncurrent liabilities in the statement of net position.	(890,000)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net assets.	
Bond and capital lease payments	1,823,039
Discounts (premiums) on bonds are reported in the governmental funds as other financing sources. However, for governmental activities, those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities.	17,800
Bond issue costs are expensed as incurred in the fund financial statement, but are amortized over the life of the bond in the statement of activities.	
Amortization expense	(6,037)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	
Accrued sick leave	534,485
Claims payable	70,331
Governmental Funds report CERS contributions as expenditures when paid. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, and the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.	
TRS OPEB expense	793,551
CERS OPEB expense	22,644
CERS pension expense	<u>(649,944)</u>
Change in net position of governmental activities	<u>\$ 1,526,500</u>

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020

	<u>ASSETS</u>	Food Service
CURRENT ASSETS		
Cash and cash equivalents		\$ 1,440,738
Materials and supplies inventory		151,153
Accounts receivable:		
Intergovernmental – federal		<u>75,258</u>
Total current assets		<u>1,667,149</u>
NONCURRENT ASSETS		
Capital assets, net		<u>540,839</u>
DEFERRED OUTFLOWS OF RESOURCES		
CERS – pension		666,973
CERS – OPEB		<u>276,840</u>
Total deferred outflows of resources		<u>943,813</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u>3,151,801</u>
	<u>LIABILITIES AND NET POSITION</u>	
CURRENT LIABILITIES		
Accounts payable		<u>155,303</u>
NONCURRENT LIABILITIES		
Net pension liability – CERS		3,092,674
Net OPEB liability – CERS		<u>739,422</u>
Total noncurrent liabilities		<u>3,832,096</u>
DEFERRED INFLOWS OF RESOURCES		
CERS – pension		159,281
CERS – OPEB		<u>282,589</u>
Total deferred inflows of resources		<u>441,870</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		<u>4,429,269</u>
NET POSITION		
Net investment in capital assets		540,839
Restricted (deficit)		<u>(1,818,307)</u>
TOTAL NET POSITION (DEFICIT)		<u>\$(1,277,468)</u>

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2020

	Food Service
OPERATING REVENUES	
Sales	\$ 62,837
TOTAL OPERATING REVENUES	<u>62,837</u>
OPERATING EXPENSES	
Salaries	1,203,606
Employee benefits	1,459,865
Purchased services	14,849
Supplies and materials	1,712,735
Depreciation	<u>73,822</u>
TOTAL OPERATING EXPENSES	<u>4,464,877</u>
OPERATING INCOME (LOSS)	<u>(4,402,040)</u>
NON-OPERATING REVENUES (EXPENSES)	
Operating grants – federal	3,202,936
Operating grants – state	613,248
Donated commodities	185,848
Earnings on investments	23,656
Operating transfers out	<u>(185,338)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>3,840,350</u>
CHANGE IN NET POSITION	(561,690)
NET POSITION (DEFICIT), July 1, 2019	<u>(715,778)</u>
NET POSITION (DEFICIT), June 30, 2020	<u>\$(1,277,468)</u>

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2020

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales	\$ 62,837
Cash payments for salaries and employee benefits	(2,172,804)
Cash payments for purchased services	(14,849)
Cash payments for supplies and materials	(1,596,754)
Net cash provided (used) by operating activities	<u>(3,721,570)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	<u>(257,370)</u>
Net cash provided (used) by capital and related financing activities	<u>(257,370)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of interest	23,656
Receipt of grants	3,776,322
Receipt of donated commodities	185,848
Operating transfers out	(185,338)
Net cash provided (used) by investing activities	<u>3,800,488</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(178,452)
CASH AND CASH EQUIVALENTS, JULY 1, 2019	<u>1,619,190</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2020	<u>\$ 1,440,738</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (4,402,040)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Depreciation	73,822
Changes in assets and liabilities:	
Inventory	(37,701)
Deferred outflows of resources	(237,032)
Accounts payable	153,682
Deferred inflows of resources	77,720
Net pension liability – CERS	625,050
Net OPEB liability – CERS	<u>24,929</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,721,570)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Donated commodities received from federal government	<u>\$ 185,848</u>
On-behalf payments from state government	<u>\$ 580,228</u>
The accompanying notes are an integral part of these financial statements.	

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Whitley County School District are summarized as follows:

REPORTING ENTITY

The Whitley County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Whitley County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. 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 statement of the following organization is included in the accompanying financial statements:

WHITLEY COUNTY SCHOOL DISTRICT FINANCE CORPORATION

The Whitley County Board of Education resolved to authorize the establishment of the Whitley County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Whitley County Board of Education also comprise the corporation's Board of Directors.

BASIS OF PRESENTATION

Government-Wide Financial Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of 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 of governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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. All taxes and revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

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. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net fund balances.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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 (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (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 the Proprietary Fund).
 - 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.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 contributions of commodities from the USDA. The Food Service Fund is a major fund.

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

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary funds.

Revenues, Exchange and Nonexchange 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 recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments. The District only invests in certificates of deposit.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS/EXPENDITURES

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

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food and supplies.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

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 adheres to the property inventory procedures developed by the Kentucky Department of Education. Fixed assets (real property) with an acquisition value of \$5,000 or more that have useful lives of more than one year are capitalized. All computer workstations and laptops, regardless of value, are capitalized. Additional items may also be designated by the District as capital assets. Fixed assets no longer needed or useable are disposed of in compliance with Board policy and applicable legal requirements.

All reported capital assets, with the exception of land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years
Infrastructure	20 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services 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 in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables.

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 District's past experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account restricted for sick leave payable in the general fund. The non-current portion of the liability is not reported in the governmental fund financial statements.

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

KENTUCKY RETIREMENT SYSTEMS

Employer contributions to KRS are calculated based upon creditable compensation for active members reported by employers. Employer contributions are accrued when earned and the employer has made a formal commitment to provide the contributions.

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

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

NET POSITION

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the Whitley County School District's Board members. Any changes or removal of specific purposes also requires majority action by the Board.

Assigned Fund Balance – Portion of fund balance that has been budgeted by the District.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.
- *Site Base* – Portion of fund balance that has been budgeted for future site base expenditures.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

OPERATING REVENUES AND EXPENSES

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

CONTRIBUTIONS OF CAPITAL

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

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, 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.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are that revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 unencumbered budget appropriations lapse at year-end.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities," that establishes criteria for identifying fiduciary activities and guidance on reporting those activities. This Statement provides guidance on four fiduciary funds that should be reported if applicable: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds and custodial funds. GASB 84 will be effective for periods beginning after December 15, 2018. The District adopted GASB 84 during the year ended June 30, 2020.

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third-party agent approved pledged securities 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 dollar amount of Federal Deposit Insurance Corporation coverage.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- | | |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name. |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits which are not collateralized or insured. |

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and 2.

At June 30, 2020, the carrying amount of the District's deposits (cash and cash equivalents) was \$6,925,785 and the bank balance was \$9,424,589. The entire bank balance at June 30, 2020 was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2020 fiscal year was based, was \$728,483,921. The tax rates assessed for the year ended June 30, 2020 to finance general fund operations were \$.441 per \$100 valuation for real estate, \$.45 per \$100 valuation for tangible property and \$.552 for motor vehicles. The District committed \$.063 of the levy to the FSPK Fund. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2020 were ninety-one percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

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

At June 30, 2020, the components of taxes receivable were as follows:

PSC property tax	\$ 706
Motor vehicle tax	112,457
Delinquent property tax	50,447
Utilities tax	81,734
Omitted property tax	14,731
Unmined property tax	76
	<u>\$ 260,151</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2020 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

NOTE 5 – DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES

Changes in the District's deferred outflows (inflows) of resources during the fiscal year 2020 were as follows:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2020</u>
Discount on bonds, net	\$ 74,168	\$ 17,800	\$ (8,009)	\$ 83,959
Premium on bonds, net	\$ (14,950)	\$ 1,972	\$ -	\$ (12,978)
			<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>County Employee Retirement System (CERS) - Pension</u>				
Balance, July 1, 2019			\$ 3,152,366	\$ (1,364,117)
Contributions subsequent to the measurement date:				
June 30, 2019			(1,002,795)	-
June 30, 2020			1,207,541	-
Liability experience			442,382	73,206

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 – DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Investment experience	332,589	611,890
Assumption changes	(395,993)	(425,535)
Difference between expected and actual results	-	212,227
Balance, June 30, 2020	<u>\$ 3,736,090</u>	<u>\$ (892,329)</u>
<u>County Employee Retirement System (CERS) – OPEB</u>		
Balance, July 1, 2019	\$ 1,212,778	\$ (885,111)
Contributions subsequent to the measurement date:		
June 30, 2019	(325,410)	-
June 30, 2020	297,746	-
Liability experience	-	(364,753)
Investment experience	27,286	(211,274)
Assumption changes	338,412	(8,197)
Difference between expected and actual results	-	(113,797)
Balance, June 30, 2020	<u>\$ 1,550,812</u>	<u>\$ (1,583,132)</u>
<u>Kentucky Teacher Retirement Systems (KTRS) - OPEB</u>		
Balance, July 1, 2019	\$ 78,954	\$ (322,797)
Investment experience	21,575	-
Assumption changes	55,473	-
Difference between expected and actual results	70,810	(905,307)
Balance, June 30, 2020	<u>\$ 226,812</u>	<u>\$ (1,228,104)</u>

NOTE 6 – CAPITAL ASSETS

A summary of capital assets activity during the fiscal year follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
GOVERNMENTAL ACTIVITIES				
Land	\$ 1,423,339	\$ -	\$ -	\$ 1,423,339
Land improvements	1,416,757	-	-	1,416,757
Buildings and improvements	70,121,126	-	-	70,121,126
Technology equipment	5,899,247	97,696	-	5,996,943
Vehicles	7,722,555	258,235	-	7,980,790
General equipment	2,883,521	18,786	-	2,902,307
Infrastructure	608,460	-	-	608,460
Construction in progress	-	88,694	-	88,694
Totals at cost	<u>90,075,005</u>	<u>463,411</u>	<u>-</u>	<u>90,538,416</u>
Less accumulated depreciation:				
Land improvements	(1,416,757)	-	-	(1,416,757)
Buildings and improvements	(24,685,847)	-	(1,465,532)	(26,151,379)
Technology equipment	(5,663,104)	-	(108,834)	(5,771,938)

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Vehicles	(6,267,374)	-	(266,782)	(6,534,156)
General equipment	(2,359,606)	-	(115,847)	(2,475,453)
Infrastructure	(320,266)	-	(29,122)	(349,388)
Total accumulated depreciation	(40,712,954)	-	(1,986,117)	(42,699,071)
Governmental activities capital assets, net	<u>\$ 49,362,051</u>	<u>\$ 463,411</u>	<u>\$ (1,986,117)</u>	<u>\$ 47,839,345</u>
BUSINESS-TYPE ACTIVITIES				
Food service equipment	\$ 1,162,775	\$ 253,497	\$ -	\$ 1,416,272
Vehicles	22,780	-	-	22,780
Technology equipment	52,386	3,873	-	56,259
Totals at cost	<u>1,237,941</u>	<u>257,370</u>	<u>-</u>	<u>1,495,311</u>
Less accumulated depreciation:				
Food service equipment	(836,585)	-	(63,956)	(900,541)
Vehicles	(4,176)	-	(4,556)	(8,732)
Technology equipment	(39,889)	-	(5,310)	(45,199)
Total accumulated depreciation	<u>(880,650)</u>	<u>-</u>	<u>(73,822)</u>	<u>(954,472)</u>
Business-type activities capital assets, net	<u>\$ 357,291</u>	<u>\$ 257,370</u>	<u>\$ (73,822)</u>	<u>\$ 540,839</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,650,794
Support services:	
Student	2,435
Instructional staff	6,574
District administration	4,480
School administration	3,216
Business	1,242
Plant operations and maintenance	51,291
Student transportation	266,085
Total governmental activities	<u>\$ 1,986,117</u>

NOTE 7 – ACCUMULATED SICK LEAVE LIABILITY

Changes in the District's accumulated sick leave liability during the fiscal year 2020 were as follows:

	Balance July 1, 2019	Payments	Additions	Balance June 30, 2020	Amount Expected to be Paid Within One Year
Governmental activities					
Accumulated sick leave	<u>\$ (1,502,612)</u>	<u>\$ 537,789</u>	<u>\$ (3,304)</u>	<u>\$ (968,127)</u>	<u>\$ (116,000)</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 – CLAIMS PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS

In 2014, the District entered into negotiations for a loan with KISTA (Kentucky Interlocal School Transportation Association) to provide funds needed to pay in full the District's total assessment required by the reorganization plan for the KSBIT (Kentucky School Board Insurance Trust) liability. A loan agreement dated September 1, 2014 with KISTA was entered into and provided funds of \$712,009. Interest rates range from 2.00% to 3.25%. The District's first debt service payment was due August 15, 2015 and is payable from the general fund. This loan may be prepaid without penalty on any date on or after September 1, 2019, upon 30 days written notice to KISTA.

The minimum obligations of the District at June 30, 2020 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-21	\$ 72,169	\$ 10,733	\$ 82,902
2021-22	74,367	8,535	82,902
2022-23	76,632	6,270	82,902
2023-24	79,017	3,885	82,902
2024-25	81,577	1,325	82,902
	<u>\$ 383,762</u>	<u>\$ 30,748</u>	<u>\$ 414,510</u>

The District, through the General Fund (including utility taxes, Facility Support Program of Kentucky Fund (FSPK) 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 Whitley County School District and the Whitley County School District Finance Corporation to construct school facilities. The District has an option to purchase the property at any time by retiring the bonds then outstanding.

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

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
2010R	\$ 7,580,000	1.00% to 2.8%
QZAB 2010	1,850,000	5.25%
QSCB 2010	6,324,000	5.25%
2013	1,020,000	.55% to 3.10%
2014	8,570,000	1.80% to 4.00%
2015R	4,625,000	2.00% to 2.50%
2015R-Second Series	3,415,000	1.00% to 2.50%
2020	890,000	1.75% to 2.75%

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2020:

	<u>Debt Outstanding July 1, 2019</u>	<u>Additions of New Debt</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2020</u>	<u>Amount Expected to be Paid Within One Year</u>
Governmental activities:					
General obligation bonds	<u>\$ 25,527,288</u>	<u>\$ 890,000</u>	<u>\$ (1,622,628)</u>	<u>\$ 24,794,660</u>	<u>\$ 1,694,837</u>
Capital leases	<u>\$ 1,309,850</u>	<u>\$ -</u>	<u>\$ (200,411)</u>	<u>\$ 1,109,439</u>	<u>\$ 195,942</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 – CLAIMS PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

In 2020, the District issued \$890,000 of School Building Revenue Bonds for replacement of the Whitley County Middle School HVAC system. After deducting the costs of issuance of \$18,540 and bond discount of \$17,800, proceeds in the amount of \$853,660 were deposited in the construction fund.

In 1988, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

Year	Kentucky School Facility Construction Commission		Whitley County School District		Total
	Principal	Interest	Principal	Interest	
2020-21	\$ 397,221	\$ 98,279	\$ 1,227,779	\$ 465,230	\$ 2,188,509
2021-22	404,692	90,362	1,270,308	432,209	2,197,571
2022-23	418,096	81,345	896,904	393,309	1,789,654
2023-24	427,696	71,045	917,304	373,784	1,789,829
2024-25	437,540	60,501	947,460	353,513	1,799,014
2025-26	447,790	49,550	962,210	331,860	1,791,410
2026-27	106,135	38,335	1,033,865	303,225	1,481,560
2027-28	108,450	35,320	101,550	288,403	533,723
2028-29	110,845	32,125	109,155	285,198	537,323
2029-30	113,324	28,845	636,676	281,753	1,060,598
2030-31	120,891	25,478	1,564,109	259,789	1,970,267
2031-32	123,926	21,542	1,631,074	197,990	1,974,532
2032-33	127,083	17,485	1,697,917	133,602	1,976,087
2033-34	135,368	13,078	1,664,632	66,585	1,879,663
2034-35	50,000	8,413	-	-	58,413
2035-36	50,000	7,162	-	-	57,162
2036-37	50,000	5,912	-	-	55,912
2037-38	55,000	4,537	-	-	59,537
2038-39	55,000	3,024	-	-	58,024
2039-40	55,000	1,512	-	-	56,512
	<u>\$ 3,794,057</u>	<u>\$ 693,850</u>	<u>\$ 14,660,943</u>	<u>\$ 4,166,450</u>	<u>\$ 23,315,300</u>

The District issued \$1,850,000 of Qualified Zone Academy Bonds, Series 2010. The District also issued \$6,324,000 of Qualified School Construction Bonds, Series 2010. These two bond issues were issued as "specified tax credit bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 as codified in various section of the Internal Revenue Code of 1986, as amended. The District has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the District on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 – CLAIMS PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such bonds had the Bonds been issued as "tax credit bonds" (the "Applicable Credit Rate"). The available cash subsidy payment for the Bonds will be paid directly to the District and will not constitute security for the payment of principal or of any interest on the Bonds.

The following represents the future minimum obligations of the District related to these two issues and include amounts to be paid by the SFCC (School Facility Construction Commission) and the federal government, at June 30, 2020 for debt service (principal and interest):

<u>Year</u>	Whitley County School District <u>Sinking Fund</u>	Kentucky School Facility Construction Commission <u>Sinking Fund</u>	(ARRA) Direct Pay <u>Interest</u>	<u>Total</u>
2020-21	\$ 46,800	\$ 23,037	\$ 429,135	\$ 498,972
2021-22	40,311	23,037	429,135	492,483
2022-23	460,145	23,037	429,135	912,317
2023-24	460,198	23,037	429,135	912,370
2024-25	457,247	23,037	429,135	909,419
2025-26	461,241	23,037	429,135	913,413
2026-27	457,877	23,037	429,135	910,049
2027-28	1,402,418	23,037	429,135	1,854,590
2028-29	1,422,823	23,037	429,135	1,874,995
2029-30	900,230	23,037	214,568	1,137,835
	<u>\$ 6,109,290</u>	<u>\$ 230,370</u>	<u>\$ 4,076,783</u>	<u>\$ 10,416,443</u>

The full principal amount of these two issues of \$8,174,000 will be funded through the above sinking fund payments. They are due November 1, 2029 and are included in the noncurrent portion of bond obligations.

In 2011, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$399,347 through the KISTA Bond Pool Sizing First Series of 2011. Interest rates range from 1.0% to 4.0%.

The minimum obligations of the District at June 30, 2020 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-21	\$ 37,253	\$ 1,490	\$ 38,743
	<u>\$ 37,253</u>	<u>\$ 1,490</u>	<u>\$ 38,743</u>

During the current fiscal year, principal payments in the amount of \$36,025 were paid.

In 2016, the District entered into negotiations for the purchase of ten school buses. Bonds were issued in the amount of \$1,089,275 through the KISTA Bond Pool Sizing First Series of 2016. Interest rates range from 2.0% to 2.625%.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 – CLAIMS PAYABLE, BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

The minimum obligations of the District at June 30, 2020 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-21	\$ 107,796	\$ 14,540	\$ 122,336
2021-22	109,793	12,384	122,177
2022-23	112,122	10,188	122,310
2023-24	114,783	7,666	122,449
2024-25	97,815	5,083	102,898
2025-26	100,477	2,637	103,114
	<u>\$ 642,786</u>	<u>\$ 52,498</u>	<u>\$ 695,284</u>

During the current fiscal year, principal payments in the amount of \$105,467 were paid.

In 2018, the District entered into negotiations for the purchase of five school buses. Bonds were issued in the amount of \$547,056 through the KISTA Bond Pool Sizing First Series of 2018. Interest rates range from 2.0% to 3.0%.

The minimum obligations of the District at June 30, 2020 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-21	\$ 50,893	\$ 12,882	\$ 63,775
2021-22	52,353	11,355	63,708
2022-23	53,812	9,785	63,597
2023-24	55,636	8,170	63,806
2024-25	57,095	6,501	63,596
2025-26	58,919	4,788	63,707
2026-27	49,616	3,021	52,637
2027-28	51,076	1,532	52,608
	<u>\$ 429,400</u>	<u>\$ 58,034</u>	<u>\$ 487,434</u>

During the current fiscal year, principal payments in the amount of \$58,919 were paid.

NOTE 9 – 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 obtained coverage through commercial insurance carriers. The District pays an annual premium for coverage.

The District was assessed a total of \$712,009 due to the Kentucky School Board Insurance Trust shortfall in fiscal year 2015. This District elected to finance this assessment for ten annual payments of \$82,902, which includes principal and interest at 2%. The current year payment was \$82,902 and the remaining balance is \$383,762 at June 30, 2020. There were no changes in the assessment during the year ending June 30, 2020.

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – RISK MANAGEMENT (CONTINUED)

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

NOTE 10 – PENSION PLANS

Plan Descriptions

The Whitley County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Employees Retirement Systems (KERS) administers the CERS. The TRS and CERS issue publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

Benefits Provided

For Members Before 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 twenty-seven (27) years of Kentucky service.

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salary for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of credited service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 – PENSION PLANS (CONTINUED)

For Members On or After 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 sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; and (e) three percent (3%) of final average salary for years of credited service greater than 30 years.

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) 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 percent (1.5%) 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. Employees are required to contribute 12.855 percent of their annual salary. The State, as a non-employer contributing entity, contributes 16.105 percent of salary.

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

At June 30, 2020, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. The related State share of the net pension liability was \$79,086,418.

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2019, the District's proportion was zero percent.

For the year ended June 30, 2020, the District recognized pension expense of \$5,951,694 and revenue of \$5,951,694 for support provided by the State. At June 30, 2020, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 – PENSION PLANS (CONTINUED)

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2019, was performed by Cavanaugh MacDonald Consulting, LLC (CM). The total pension liability, net pension liability, and sensitivity information as of June 30, 2019 was based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2018), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends.

The mortality table used for active members in RP-2000 Combined Mortality Table for Males or Females, as appropriate, projected with Scale BB to 2025, set forward two years for Males and one year for Females.

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2019:

Inflation	3.00 percent
Salary increases, including inflation	3.50-7.30 percent
Long-Term Investment Rate of Return, net of pension plan investment expense, including inflation	7.50 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.89 percent
Measurement Date	3.50 percent
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation	
Prior Measurement Date	7.50 percent
Measurement Date	7.50 percent
Post-Retirement Benefit Increases	1.50% annually

Discount Rate/Target Allocations

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

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 – PENSION PLANS (CONTINUED)

Net Pension Liability

The following table presents the net pension liability of TRS, calculated using the discount rate of 7.50%, as well as what TRS'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 (in thousands):

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Systems' Net Pension Liability	\$ 18,252,330	\$ 14,294,885	\$ 10,964,314

Pension Plan Fiduciary Net Position

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

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2020, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Plan members who began participating after September 1, 2008 were required to contribute 6% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first date of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school district's contractually required contribution rate for the year ended June 30, 2020, was 24.06 percent of annual creditable compensation. Contributions to the pension plan from the District were \$1,207,541.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 – PENSION PLANS (CONTINUED)

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

At June 30, 2020, the District reported a liability of \$17,325,905 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.246350 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$1,028,735. At June 30, 2020, the District reported deferred inflows of resources of \$892,329 and deferred outflows of resources of \$3,736,090 related to pensions. The amount reported as deferred inflows for District contributions subsequent to the measurement date of \$1,207,541 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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>	<u>Allocation</u>
2020	\$ 1,082,829
2021	373,737
2022	154,845
2023	24,809
	<u>\$ 1,636,220</u>

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

For financial reporting, the actuarial valuation as of June 30, 2019, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability and sensitivity information as of June 30, 2019 was based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. Subsequent to the actuarial valuation date (June 30, 2018), but prior to the measurement date the KRS Board of Trustees reviewed investment trends, inflation and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2019, which were also used to determine the Total Pension Liability and Net Pension Liability as of June 30, 2019.

The actuarial assumptions are:

Inflation Rate	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous
Salary Increases	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25% for CERS non-hazardous

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 – PENSION PLANS (CONTINUED)

The mortality table used for active members in Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

House Bill 1 passed during the 2019 Special Legislative Session allows certain employers in the KERS Non-hazardous plan to elect to cease participating in the System as of June 30, 2020. Since each employer's election was unknown at the time of the valuation and the legislation was enacted after the June 30, 2019 measurement date, no adjustments were made to the Total Pension Liability to reflect this legislation. There were no other plan provision changes.

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for the CERS non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

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

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2019:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	26 years, Closed
Payroll Growth Rate	2.0% for CERS non-hazardous

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 10 – PENSION PLANS (CONTINUED)

Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service, for CERS non-hazardous
Investment Rate of Return	6.25% for CERS Non-hazardous

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 in 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.

Deferred Inflows and Outflows of Resources

The deferred inflows and outflows of resources, and pension expense included in the Schedule of Pension Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2019, is based on the June 30, 2018, actuarial valuation rolled forward. 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.

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:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 21,669,793	\$ 17,325,905	\$ 13,705,317

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 publicly available at <https://kyret.ky.gov>.

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement who do not perform the investing function for these plans, to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN

General Information – TRS

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

The member and employer contributions consist of retirement annuity contributions and other postemployment benefit contributions to the medical and life insurance plans. The member postemployment medical contribution is 3.75 percent of salary. The employer postemployment medical contribution is .75 percent of member salaries. Also, employers (other than the state) contribute 3.0 percent of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010 in the non-Medicare eligible group. If a member leaves covered employment before accumulating five (5) years of credited service, accumulated member contributions to the retirement annuity plan plus interest are refunded upon the member's request.

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 access to postemployment healthcare benefits for eligible members and dependents. The TRS medical plan (MIF) is funded by employer and member contributions. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

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

At June 30, 2020, the District reported a liability of \$9,137,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the 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, 2019, the District's proportion was .312181 percent.

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

District's proportionate share of the net OPEB liability	\$ 9,137,000
State's proportionate share of the net OPEB liability associated with the District	7,379,000
Total	<u>\$ 16,516,000</u>

For the year ended June 30, 2020 the District recognized OPEB expense of \$5,585,917 and revenue of \$5,585,917 for support provided by the State.

Actuarial assumptions (MIF and LIF) – 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:

Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	
MIF	8.00%
LIF	7.50%
Municipal Bond Index Rate	3.50%
Year FNP is projected to be depleted	
MIF	n/a
LIF	n/a
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
MIF	8.00%
LIF	7.50%
MIF Health Care Cost Trends	
Under Age 65	7.50% for FYE 2019 decreasing to an ultimate rate of 5.00% by FYE 2024
Ages 65 and Older	5.50% for FYE 2019 decreasing to an ultimate rate of 5.00% by FYE 2021
Medicare Part B Premiums	2.63% for FYE 2019 with an ultimate rate of 5.00% by 2031

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

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 costs trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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>MIF</u>	
	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Other Additional Categories	17.0%	3.2%
Cash (LIBOR)	1.0%	0.9%
Total	<u>100.0%</u>	

The discount rate used to measure the TOL at June 30, 2019 was 8.00 percent for the MIF. The discount rate used to measure the TOL as of the Measurement Date was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2018. In addition to the actuarial methods and assumptions of the June 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%.
- The pre-65 retiree health care costs of members retired on or after July 1, 2010 were assumed to be paid by either the state or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$7.44 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the MIF were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following MIF statutory contributions are to be decreased, suspended or eliminated:

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

- Employee contributions
- School District/University Contributions
- State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

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

- In developing the adjustments to the statutory contributions in future years, the following was assumed:
 - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
 - For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

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

This paragraph requires disclosure of the sensitivity of the NOL to changes in the health care cost trend rates. The following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. This chart is not shown for the Life Insurance Fund (LIF) since there is no health care trend component of the liabilities:

	<u>Health Care Cost Trend Rates</u>		
	<u>1% Decrease (7.00%)</u>	<u>Current (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net OPEB liability	<u>\$ 10,824,000</u>	<u>\$ 9,137,000</u>	<u>\$ 7,724,000</u>

Life Insurance Plan

Plan description – 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.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Contributions – In order to fund the post-retirement life insurance benefit, six hundredths of one percent (.06%) of the gross annual payroll of members is contributed by the state.

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

At June 30, 2020, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District.

District's proportionate share of the net OPEB liability – LIF	\$	-
State's proportionate share of the net OPEB liability LIF associated with the District		171,000
Total	\$	<u>171,000</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$8,527 and revenue of \$8,527 for support provided by the State.

General Information – CERS

CERS Non-hazardous and CERS Hazardous Insurance Funds are cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plans for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

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

Determined by the Actuarial Valuation as of:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	27 Years, Closed
Payroll Growth Rate:	4.00%
Investment Return:	7.50%
Inflation Rate:	3.25%
Salary Increases:	4.00%, average

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
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.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The 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>LIF</u>	
	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity	40.0%	4.3%
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%	3.2%
Cash (LIBOR)	2.0%	0.9%
Total	<u>100.0%</u>	

The discount rate used to measure the TOL as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2018. In addition to the actuarial methods and assumptions of the June 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the LIF's cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%.
- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the LIF's funding policy (Schedule B) determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

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

The long-term expected rate of return on OPEB plan investments will be determined based on the allocation of assets by asset class and by the mean and variance of real returns. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System). Projected future benefit payments for all current plan members were projected through 2117.

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 Net OPEB Liability – CERS	\$ 5,549,138	\$ 4,142,420	\$ 2,953,377

Sensitivity of the District's proportionate share of the collective net OPEB liability – CERS to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability – CERS, as well as what the District's proportionate share of the collective net OPEB liability – CERS 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	1% Increase
District's Net OPEB Liability – CERS	\$ 3,080,739	\$ 5,429,874

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

NOTE 12 – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and 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.

No provision was made in the accompanying financial statements for any contingent liabilities.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 13 – DEFICIT OPERATING/FUND BALANCES

The District did not have any deficit fund balances at June 30, 2020.

The District did not have any operations that resulted in current year operating deficits in governmental funds.

NOTE 14 – 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	Food Service	General	Indirect costs	\$ 185,338
Operating	Building/FSPK	Debt Service	Debt service requirement	1,493,327
Operating	General	Special Revenue	Matching – KETS	75,204
Operating	Activity Funds	District-Wide Activity	Reimbursements	161,932
Operating	Capital Outlay	General	KISTA bus leases	83,861
Operating	Capital Outlay	Debt Service	Debt service requirement	274,251

NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2020, the District had a negative cash balance of \$385,887 in the Special Revenue Fund due to grant/project monies not being received by year-end. Since the District maintains an internal investment pool for cash, the General Fund is essentially lending this amount to the overdrawn fund. An interfund receivable of \$385,887 has been recognized in the General Fund and an interfund payable in the Special Revenue Fund at June 30, 2020.

NOTE 16 – ON-BEHALF PAYMENTS

As amounts are paid by various State agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with State revenue, and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications, and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2020 is as follows:

	<u>Amount</u>
Teacher's Retirement System (TRS)	\$ 5,951,694
Health insurance	5,585,917
Life insurance	8,527
Administrative fee	70,421
Health reimbursement account – HRA/Dental/Vision	249,121
Federal reimbursements of health benefits	(381,651)
Technology	94,650
School Facilities Construction Commission (SFCC) debt service	463,991
	<u>\$ 12,042,670</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 17 – FUND BALANCE DESIGNATIONS

The following governmental funds had restricted fund balances:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 116,000	Accumulated sick leave
District Wide Activity Funds	423,609	Student instruction
Debt Service	560,609	Debt service
Construction	784,025	Future construction projects (BG-1)

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2019, the District was required to adopt Government Accounting Standards Board (GASB) Statement 84, Fiduciary Activities. This statement establishes criteria for identifying fiduciary activities and guidance on reporting these activities.

GASB 84 required retrospective application. Since the District only presents one year of financial information, the beginning Special Revenue – Fund 25 was adjusted to reflect the retrospective application. The adjustment resulted in a \$245,221 induction in beginning net position on the Statement of Activities.

NOTE 19 – SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through October 1, 2020, the date on which we issued our financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Years Ended June 30,

	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
District and PSCA's proportion of the net pension liability	.246350%	.250261%	.251983%
District and PSCA's proportionate share of the net pension liability	\$ 17,325,905	\$ 15,241,658	\$ 14,749,340
District and PSCA's covered-employee payroll	\$ 6,256,530	\$ 6,214,482	\$ 6,222,323
District and PSCA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	276.93%	245.26%	237.04%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	46.46%	53.32%
TEACHER'S RETIREMENT SYSTEM:			
District's proportion of the net pension liability	0%	0%	0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 79,086,418	\$ 77,335,740	\$ 156,076,827
District's covered-employee payroll	\$ 20,328,918	\$ 20,810,169	\$ 21,070,304
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	58.8%	59.30%	13.32%

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

<u>2017</u> <u>(2016)</u>	<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>
.26149%	.267664%	.284461%
\$ 12,874,610	\$ 11,508,280	\$ 9,229,000
\$ 6,202,208	\$ 6,333,075	\$ 6,337,056
207.58%	181.72%	145.64%
55.50%	59.97%	66.80%
0%	0%	0%
\$ -	\$ -	\$ -
\$174,562,169	\$135,871,569	\$130,754,261
\$ 20,510,275	\$ 20,795,404	\$ 20,100,143
0%	0%	0%
14.80%	18.83%	22.32%

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF PENSION CONTRIBUTIONS
Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
Contractually required contribution	\$ 1,207,541	\$ 1,002,795	\$ 904,385
Contributions in relation to the contractually required contribution	<u>(1,207,541)</u>	<u>(1,002,795)</u>	<u>(904,385)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District and PSCA's covered-employee payroll	\$ 6,256,530	\$ 6,214,482	\$ 6,222,323
District and PSCA's contributions as a percentage of its covered employee payroll	19.30%	16.13%	19.18%
TEACHER'S RETIREMENT SYSTEM:			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 20,328,918	\$ 20,810,169	\$ 21,070,304
District's contributions as a percentage of its covered-employee payroll	0%	0%	0%

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

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 1,157,563	\$ 1,080,418	\$ 1,119,758
<u>(1,157,563)</u>	<u>(1,080,418)</u>	<u>(1,119,758)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,202,208	\$ 6,333,075	\$ 6,337,056
18.68%	17.06%	17.67%
\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 20,510,275	\$ 20,795,404	\$ 20,100,143
0%	0%	0%

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2020

(1) CHANGES OF ASSUMPTIONS

TRS/CERS

The assumption changes are noted below.

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

TRS

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years, closed
Payroll Growth Rate	4.00% to 8.10% including wage inflation
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation Rate	3.0%
Projected Salary Increases	3.50% – 7.30% including wage inflation
Investment Rate of Return	7.50%, net of plan investment expense, including wage inflation

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated on an annual basis on an experience study of July 1, 2008 – June 30, 2013. The amortization period of the unfunded liability has been reset as of June 30, 2015 to a closed 28-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	27 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	4.00%
Inflation Rate	3.25%
Salary Increases	4.0%, average
Investment Rate of Return	7.5%

(3) CHANGES OF BENEFITS

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MEDICAL INSURANCE
PLAN
Years Ended June 30,

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
District and PSCA's proportion of the net OPEB liability	.246286%	.250252%	.251983%
District and PSCA's proportionate share of the net OPEB liability	\$ 4,142,420	\$ 4,413,175	\$ 5,065,720
District and PSCA's covered-employee payroll	\$ 6,256,530	\$ 6,214,482	\$ 6,222,323
District and PSCA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	66.21%	71.01%	81.41%
Plan fiduciary net position as a percentage of the total OPEB liability	65.26%	57.62%	21.18%
TEACHER'S RETIREMENT SYSTEM:			
District's proportion of the collective net OPEB liability	.312181%	.308043%	.55132%
District's proportionate share of the collective net OPEB liability	\$ 9,137,000	\$ 10,688,000	\$ 10,996,000
State's proportionate share of the collective net OPEB liability associated with the District	<u>7,379,000</u>	<u>9,211,000</u>	<u>8,982,000</u>
Total	<u>\$ 16,516,000</u>	<u>\$ 19,899,000</u>	<u>\$ 19,978,000</u>
District's covered-employee payroll	\$ 20,328,918	\$ 20,810,169	\$ 21,070,304
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	55.32%	51.36%	52.19%
Plan fiduciary net position as a percentage of the total OPEB liability	46.00%	36.30%	26.7%

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT CONTRIBUTIONS – MEDICAL INSURANCE PLAN
Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
Contractually required contribution	\$ 297,746	\$ 291,527	\$ 293,476
Contributions in relation to the contractually required contribution	<u>(297,746)</u>	<u>(291,527)</u>	<u>(293,476)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,256,530	\$ 6,214,482	\$ 6,222,323
District's and PSCA's contributions as a percentage of its covered-employee payroll	4.76%	4.69%	4.72%
TEACHER'S RETIREMENT SYSTEM:			
Contractually required contribution	\$ 543,593	\$ 548,721	\$ 546,838
Contributions in relation to the contractually required contribution	<u>(543,593)</u>	<u>(548,721)</u>	<u>(546,838)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$20,328,918	\$20,810,169	\$21,070,304
District's contributions as a percentage of its covered-employee payroll	2.67%	2.64%	2.60%

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2020

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	22 years
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	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% for FY 2024
Ages 65 and older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% for FY 2021
Medicare Part B premiums	0.00% for FY 2019 with an ultimate rate of 5.00% by 2030
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).

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – LIFE INSURANCE PLAN –
TEACHER'S RETIREMENT SYSTEM KENTUCKY
Years Ended June 30,

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
District's proportion of the collective net OPEB liability	0%	0%	0%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability associated with the District	171,000	158,000	120,000
Total	<u>\$ 171,000</u>	<u>\$ 158,000</u>	<u>\$ 120,000</u>
District's covered-employee payroll	\$ 20,328,918	\$ 20,810,169	\$ 21,070,304
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0%	0%	0%
Plan fiduciary net position as a percentage of the total OPEB liability	78.70%	83.40%	87.80%

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF DISTRICT CONTRIBUTIONS – LIFE INSURANCE PLAN – TEACHER’S RETIREMENT SYSTEM
KENTUCKY
Years Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 20,328,918	\$ 20,810,169	\$ 21,070,304
Contributions as a percentage of covered-employee payroll	0%	0%	0%

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2020

Changes of benefit terms – None.

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Determined by the Actuarial Valuation as of:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay
Amortization Period:	26 years, Closed
Payroll Growth Rate:	2.00%
Investment Return:	6.25%
Inflation Rate:	2.30%
Salary Increases:	3.30% to 11.55%, varies by service
Mortality:	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Phase – In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable or (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From local sources:				
Taxes				
Property	\$ 2,452,000	\$ 2,452,000	\$ 2,730,319	\$ 278,319
Motor vehicle	685,000	685,000	839,918	154,918
Utilities	1,075,000	1,075,000	1,160,409	85,409
Earnings on investments	75,000	75,000	90,879	15,879
Other local revenues	115,000	115,000	222,112	107,112
Intergovernmental – state	22,320,082	22,322,691	33,335,477	11,012,786
Intergovernmental – indirect federal	163,000	163,000	207,717	44,717
TOTAL REVENUES	<u>26,885,082</u>	<u>26,887,691</u>	<u>38,586,831</u>	<u>11,699,140</u>
EXPENDITURES				
Instruction	16,651,023	16,661,253	25,427,046	(8,765,793)
Support services:				
Student	1,472,587	1,472,587	1,327,431	145,156
Instructional staff	1,141,660	1,144,269	1,029,655	114,614
District administration	1,127,474	1,127,474	1,229,637	(102,163)
School administration	1,685,711	1,685,711	1,556,895	128,816
Business	656,283	656,283	832,853	(176,570)
Plant operations and maintenance	3,879,234	3,879,964	3,242,314	637,650
Student transportation	3,027,811	3,027,811	3,379,970	(352,159)
Food service operation	2,600	2,600	-	2,600
Community services activities	64,521	64,521	45,138	19,383
Debt service	233,962	233,962	233,962	-
Contingency	936,956	1,077,483	-	1,077,483
TOTAL EXPENDITURES	<u>30,879,822</u>	<u>31,033,918</u>	<u>38,304,901</u>	<u>(7,270,983)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,994,740)</u>	<u>(4,146,227)</u>	<u>281,930</u>	<u>4,428,157</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	269,824	269,824	269,199	(625)
Operating transfers out	(78,000)	(78,000)	(75,204)	2,796
TOTAL OTHER FINANCING SOURCES (USES)	<u>191,824</u>	<u>191,824</u>	<u>193,995</u>	<u>2,171</u>
NET CHANGES IN FUND BALANCE	(3,802,916)	(3,954,403)	475,925	4,430,328
FUND BALANCE, JULY 1, 2019	<u>3,802,916</u>	<u>3,954,403</u>	<u>4,337,841</u>	<u>383,438</u>
FUND BALANCE, JUNE 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,813,766</u>	<u>\$ 4,813,766</u>

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL REVENUE FUND – FUND 2
Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable or (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From local sources:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-
Utilities	-	-	-	-
Earnings on investments	-	-	953	953
Other local revenues	855,703	913,751	866,143	(47,608)
Intergovernmental – state	2,153,859	2,171,919	2,108,600	(63,319)
Intergovernmental – indirect federal	5,102,965	7,538,379	4,973,017	(2,565,362)
Intergovernmental – direct federal	<u>64,455</u>	<u>64,455</u>	<u>65,660</u>	<u>1,205</u>
TOTAL REVENUES	<u>8,176,982</u>	<u>10,688,504</u>	<u>8,014,373</u>	<u>(2,674,131)</u>
EXPENDITURES				
Instruction	6,982,919	9,539,092	6,834,684	2,704,408
Support services:				
Student	96,750	96,750	101,180	(4,430)
Instructional staff	635,672	604,295	604,705	(410)
District administration	-	-	-	-
School administration	41,018	27,745	26,624	1,121
Plant operations and maintenance	-	-	277	(277)
Student transportation	-	-	-	-
Community services activities	<u>498,623</u>	<u>498,622</u>	<u>522,107</u>	<u>(23,485)</u>
TOTAL EXPENDITURES	<u>8,254,982</u>	<u>10,766,504</u>	<u>8,089,577</u>	<u>2,676,927</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(78,000)</u>	<u>(78,000)</u>	<u>(75,204)</u>	<u>2,796</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	78,000	78,000	75,204	(2,796)
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>78,000</u>	<u>78,000</u>	<u>75,204</u>	<u>(2,796)</u>
NET CHANGES IN FUND BALANCE	-	-	-	-
FUND BALANCE, JULY 1, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL
Year Ended June 30, 2020

The District's budgetary process accounts for transactions on the modified accrual basis of accounting, which is consistent with U.S. generally accepted accounting principles. In accordance with state law, the District prepares a budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. The District must adopt the working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget. The working budget was amended during the year.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Construction Fund	Seek Capital Outlay Fund	FSPK Fund	Debt Service Funds	District Wide Activity Funds	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES						
Cash and cash equivalents	\$ 784,025	\$ -	\$ -	\$ -	\$ 157,127	\$ 941,152
Cash with fiscal agent	-	-	-	560,609	-	560,609
TOTAL ASSETS AND RESOURCES	<u>\$ 784,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 560,609</u>	<u>\$ 157,127</u>	<u>\$ 1,501,761</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,615	\$ 1,615
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,615</u>	<u>1,615</u>
FUND BALANCES						
Restricted						
Debt service	-	-	-	560,609	-	560,609
Future construction projects (BG-1)	784,025	-	-	-	-	784,025
District wide activity funds	-	-	-	-	155,512	155,512
TOTAL FUND BALANCES	<u>784,025</u>	<u>-</u>	<u>-</u>	<u>560,609</u>	<u>155,512</u>	<u>1,500,146</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 784,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 560,609</u>	<u>\$ 157,127</u>	<u>\$ 1,501,761</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	Construction Fund	Seek Capital Outlay Fund	FSPK Fund	Debt Service Funds
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ -	\$ 442,075	\$ -
Earnings on investments	519	-	-	28,064
Other local revenues	-	-	-	-
Intergovernmental – state	-	358,112	1,051,252	463,991
Intergovernmental – direct federal	-	-	-	403,172
TOTAL REVENUES	<u>519</u>	<u>358,112</u>	<u>1,493,327</u>	<u>895,227</u>
EXPENDITURES				
Instruction	-	-	-	-
Student transportation	-	-	-	-
Site improvements	88,694	-	-	-
Payment of bonds	-	-	-	1,622,628
Payment of interest	-	-	-	1,012,112
TOTAL EXPENDITURES	<u>88,694</u>	<u>-</u>	<u>-</u>	<u>2,634,740</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(88,175)</u>	<u>358,112</u>	<u>1,493,327</u>	<u>(1,739,513)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	890,000	-	-	-
Bond premium (discount)	(17,800)	-	-	-
Operating transfers in	-	-	-	1,767,578
Operating transfers out	-	(358,112)	(1,493,327)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>872,200</u>	<u>(358,112)</u>	<u>(1,493,327)</u>	<u>1,767,578</u>
NET CHANGES IN FUND BALANCES	784,025	-	-	28,065
FUND BALANCES, JULY 1, 2019	-	-	-	532,544
FUND BALANCES, JUNE 30, 2020	<u>\$ 784,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 560,609</u>

District Wide Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ 442,075
3	28,586
21,846	21,846
-	1,873,355
-	<u>403,172</u>
<u>21,849</u>	<u>2,769,034</u>
157,149	157,149
4,186	4,186
-	88,694
-	1,622,628
-	<u>1,012,112</u>
<u>161,335</u>	<u>2,884,769</u>
<u>(139,486)</u>	<u>(115,735)</u>
-	890,000
-	(17,800)
161,932	1,929,510
-	<u>(1,851,439)</u>
<u>161,932</u>	<u>950,271</u>
22,446	834,536
<u>133,066</u>	<u>665,610</u>
<u>\$ 155,512</u>	<u>\$ 1,500,146</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2020

	<u>Fund 2</u>	<u>Fund 25</u>	<u>Total Special Revenue Funds</u>
ASSETS AND RESOURCES			
Cash and cash equivalents	\$ -	\$ 268,923	\$ 268,923
Accounts receivable:			
Accounts receivable	145,579	412	145,991
Intergovernmental – state	32,878	-	32,878
Intergovernmental – federal	<u>880,527</u>	<u>-</u>	<u>880,527</u>
TOTAL ASSETS AND RESOURCES	<u><u>\$ 1,058,984</u></u>	<u><u>\$ 269,335</u></u>	<u><u>\$ 1,328,319</u></u>
LIABILITIES			
Accounts payable	\$ 353,988	\$ 1,238	\$ 355,226
Interfund payable	385,887	-	385,887
Deferred revenue	<u>319,109</u>	<u>-</u>	<u>319,109</u>
TOTAL LIABILITIES	<u><u>1,058,984</u></u>	<u><u>1,238</u></u>	<u><u>1,060,222</u></u>
FUND BALANCES			
Restricted	<u>-</u>	<u>268,097</u>	<u>268,097</u>
TOTAL FUND BALANCES	<u><u>-</u></u>	<u><u>268,097</u></u>	<u><u>268,097</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,058,984</u></u>	<u><u>\$ 269,335</u></u>	<u><u>\$ 1,328,319</u></u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
Year Ended June 30, 2020

	Fund 2	Fund 25	Total Special Revenue Funds
REVENUES			
From local sources:			
Earnings on investments	\$ 953	\$ 4,156	\$ 5,109
Other local revenues	866,143	535,384	1,401,527
Intergovernmental – state	2,108,600	-	2,108,600
Intergovernmental – indirect federal	4,973,017	-	4,973,017
Intergovernmental – direct federal	65,660	-	65,660
TOTAL REVENUES	<u>8,014,373</u>	<u>539,540</u>	<u>8,553,913</u>
EXPENDITURES			
Instruction	6,834,684	331,552	7,166,236
Support services:			
Student	101,180	-	101,180
Instructional staff	604,705	8,202	612,907
School administration	26,624	-	26,624
Plant operations and maintenance	277	-	277
Student transportation	-	5,524	5,524
Other non-instruction	-	9,454	9,454
Community services activities	522,107	-	522,107
TOTAL EXPENDITURES	<u>8,089,577</u>	<u>354,732</u>	<u>8,444,309</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(75,204)</u>	<u>184,808</u>	<u>109,604</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	75,204	-	75,204
Operating transfers out	-	(161,932)	(161,932)
TOTAL OTHER FINANCING SOURCES (USES)	<u>75,204</u>	<u>(161,932)</u>	<u>(86,728)</u>
NET CHANGES IN FUND BALANCES	<u>-</u>	<u>22,876</u>	<u>22,876</u>
FUND BALANCES, JULY 1, 2019, as previously reported	-	-	-
Restatement for adoption of GASB 84	-	245,221	245,221
Fund Balances, July 1, 2019, as restated	-	245,221	245,221
FUND BALANCES, JUNE 30, 2020	<u>\$ -</u>	<u>\$ 268,097</u>	<u>\$ 268,097</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2020

ACCOUNTS:	Cash Balances <u>July 1, 2019</u>	<u>Receipts</u>	<u>Disbursements</u>	Interfund <u>Transfers</u>
General	\$ 778	\$ 2,787	\$ 859	\$ (2,628)
Student Activity Fee	6,772	7,320	556	(13,536)
Start-up Fund	-	2,000	2,000	-
Dual Courses Fee	2,290	2,265	2,519	-
Textbooks	123	253	-	-
Special Events	5,992	23,733	9,765	(14,816)
Transportation Fund	5	-	-	-
Family Resource	50	-	-	-
Test Fees	1,825	596	-	-
Scholarship	2,000	-	-	-
Pepsi	3,251	1,501	1,726	(2,500)
Teacher's Pepsi	459	1,809	1,880	-
Colonel Players	7,474	9,589	4,915	(1,271)
Drama	8	-	-	-
Football	371	27,515	9,186	(17,713)
Boys Basketball	2,536	30,372	18,556	(10,037)
Girls Basketball	2,811	15,001	6,853	(1,269)
Baseball	114	1,000	409	-
Softball	14,534	4,538	8,255	(2,913)
Track	1,354	150	867	1,833
Tennis	1,971	7,972	1,373	(994)
Boys Golf	100	370	-	-
Girls Golf	2,272	1,397	1,871	500
Volleyball	146	12,916	10,285	(2,700)
Cheerleaders	12,022	3,916	12,319	200
Wrestling	40	1,153	1,258	1,881
Boys Soccer	985	6,074	5,044	834
Girls Soccer	7,858	20,412	13,575	(430)
Academic Team	749	520	299	(175)
Art	1,026	500	-	(1,460)
Beta Club	1,723	1,499	180	(2,409)
DECA	307	11,435	8,479	(3,263)
FBLA	123	-	-	-
FFA	210	23,526	13,455	(4,067)
FCCLA	2,305	3,987	2,807	(343)
Math Club	3	-	-	-
Link Crew	610	24,787	28,550	3,153
Educators Rising	1,749	2,987	2,417	(1,925)
NHS	421	1,354	1,685	-

<u>Cash Balances</u> <u>June 30, 2020</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2020</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2020</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2020</u>
\$ 78	\$ -	\$ -	\$ 78
-	-	-	-
-	-	-	-
2,036	-	-	2,036
376	-	-	376
5,144	-	-	5,144
5	-	-	5
50	-	-	50
2,421	-	-	2,421
2,000	-	-	2,000
526	-	-	526
388	-	-	388
10,877	-	-	10,877
8	-	-	8
987	-	-	987
4,315	-	-	4,315
9,690	-	-	9,690
705	-	-	705
7,904	-	46	7,858
2,470	-	-	2,470
7,576	-	-	7,576
470	-	-	470
2,298	-	-	2,298
77	-	-	77
3,819	-	-	3,819
1,816	-	-	1,816
2,849	-	450	2,399
14,265	-	-	14,265
795	-	-	795
66	-	-	66
633	-	330	303
-	-	-	-
123	-	-	123
6,214	-	300	5,914
3,142	-	-	3,142
3	-	-	3
-	-	-	-
394	-	-	394
90	-	-	90

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS (CONTINUED)
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2020

ACCOUNTS:	Cash Balances <u>July 1, 2019</u>	<u>Receipts</u>	<u>Disbursements</u>	Interfund <u>Transfers</u>
Pep	342	-	-	-
Science Club	275	-	-	-
History	756	-	-	-
Ky Junior Historical	-	490	-	(100)
International Club	147	-	-	-
Band	160	953	791	874
Choir	185	3,643	2,623	(461)
Horticulture	8,024	9,476	6,917	(1,237)
JROTC	6,079	9,344	4,013	1,299
JROTC Paver Project	342	-	-	-
Boys Cross Country	1,277	8,054	4,584	(4,327)
Girls Cross Country	1,206	1,530	1,893	782
Colonel Connection	233	-	-	(233)
Yearbook	3,130	4,985	206	(6,664)
Seniors	2,346	6,160	8,142	-
Non-Revenue Sports	7,583	15,000	-	(19,300)
E-sports	-	-	704	1,500
Totals	<u>\$ 119,452</u>	<u>\$ 314,869</u>	<u>\$ 201,816</u>	<u>\$ (103,915)</u>

Cash Balances <u>June 30, 2020</u>	Accounts Receivable June 30, <u>2020</u>	Accounts Payable June 30, <u>2020</u>	Fund Balances June 30, <u>2020</u>
342	-	-	342
275	-	-	275
756	-	-	756
390	-	-	390
147	-	-	147
1,196	-	-	1,196
744	-	-	744
9,346	-	-	9,346
12,709	-	-	12,709
342	-	-	342
420	-	-	420
1,625	-	-	1,625
-	-	-	-
1,245	-	-	1,245
364	-	-	364
3,283	-	-	3,283
796	-	-	796
<u>\$ 128,590</u>	<u>\$ -</u>	<u>\$ 1,126</u>	<u>\$ 127,464</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
Year Ended June 30, 2020

	Cash Balances <u>July 1, 2019</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
WHITLEY COUNTY MIDDLE SCHOOL All funds	\$ <u>55,997</u>	\$ <u>84,160</u>	\$ <u>73,708</u>	\$ <u>(11,965)</u>
OAK GROVE ELEMENTARY SCHOOL All funds	\$ <u>5,745</u>	\$ <u>31,441</u>	\$ <u>4,337</u>	\$ <u>(31,742)</u>
WHITLEY COUNTY NORTH ELEMENTARY SCHOOL All funds	\$ <u>1,099</u>	\$ <u>8,697</u>	\$ <u>546</u>	\$ <u>(8,429)</u>
PLEASANT VIEW ELEMENTARY SCHOOL All funds	\$ <u>4,903</u>	\$ <u>5,145</u>	\$ <u>3,283</u>	\$ <u>(1,000)</u>
WHITLEY COUNTY CENTRAL PRIMARY SCHOOL All funds	\$ <u>16,315</u>	\$ <u>20,949</u>	\$ <u>12,462</u>	\$ <u>(418)</u>
BOSTON ELEMENTARY SCHOOL All funds	\$ <u>7,873</u>	\$ <u>14,533</u>	\$ <u>13,702</u>	\$ <u>(1,787)</u>
WHITLEY COUNTY INTERMEDIATE SCHOOL All funds	\$ <u>27,319</u>	\$ <u>42,791</u>	\$ <u>39,403</u>	\$ <u>(702)</u>
WHITLEY COUNTY EAST ELEMENTARY SCHOOL All funds	\$ <u>15,100</u>	\$ <u>18,283</u>	\$ <u>14,559</u>	\$ <u>(1,974)</u>

Cash Balances June 30, 2020	Accounts Receivable June 30, 2020	Accounts Payable June 30, 2020	Fund Balances June 30, 2020
\$ 54,484	\$ 110	\$ 112	\$ 54,482
\$ 1,107	\$ 30	\$ -	\$ 1,137
\$ 821	\$ 95	\$ -	\$ 916
\$ 5,765	\$ 24	\$ -	\$ 5,789
\$ 24,384	\$ 40	\$ -	\$ 24,424
\$ 6,917	\$ -	\$ -	\$ 6,917
\$ 30,005	\$ 113	\$ -	\$ 30,118
\$ 16,850	\$ -	\$ -	\$ 16,580

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Education:			
SPECIAL EDUCATION CLUSTER (IDEA)			
IDEA-B – Flow Thru to LEA's	84.027A	3810002	\$ 704,284
IDEA-B – Special Ed Preschool	84.173A	3800002	<u>37,198</u>
Total Special Education Cluster (IDEA)			<u>741,482</u>
 Title I	 84.010A	 3100002	 2,112,202
Perkins/Perkins Carry Forward	84.048	3710002	78,826
Homeless Children & Youth	84.196A	3990002	87,539
21st Century Community Learning Centers Program	84.287	3400002	409,525
Title VI – Rural Education	84.358B	3140002	73,110
Title II – Teacher Quality	84.367A	3230002	289,414
Striving Readers Comprehensive Literacy Grant	84.371C	3220002	222,558
Title IV – Part B – Student Support & Academic Enrichment	84.424	3420002	165,397
COVID-19 – CARES Act Funds (ESSER)	84.425D	4000002	481,886*
 Passed through Laurel County Literacy Council:			
Adult Education	84.002A	373	40,665
 Passed through Berea College:			
Gear Up	84.334	P334A140030	<u>177,857</u>
Total U.S. Department of Education			<u>\$ 4,880,461</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Education:			
CCDF CLUSTER			
CECC Preschool Development Grant School Readiness	93.575	644	<u>\$ 60,000</u>
Total U.S. Department of Health and Human Services			<u>\$ 60,000</u>

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education:			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	7760005	\$ 722,214
National School Lunch Program	10.555	7750002	1,513,449
Summer Food Service Program	10.559	7690024	61,351
Summer Food Service Program	10.559	7740023	597,039
Total Child Nutrition Cluster			<u>2,894,053*</u>
Food Commodities non-cash	10.550	201	<u>185,848</u>
Child and Adult Care	10.558	7800016	11,939
Child and Adult Care	10.558	7790021	195,280
Total for Program			<u>207,219</u>
Fresh Fruits & Vegetables	10.582	7720012	<u>101,664</u>
Total U.S. Department of Agriculture			<u>\$ 3,388,784</u>
<u>U.S. Department of Justice</u>			
Passed through Whitley County Fiscal Court:			
Stop School Violence: School Prevention Program	16.710	KY112ZZ	\$ 16,949
Total U.S. Department of Justice			<u>\$ 16,949</u>
<u>U.S. Department of Homeland Security</u>			
Passed through State Department of Education:			
COVID-19 – FEMA (Federal Emergency Management Assistance)	97.036	677	\$ 15,523*
Total U.S. Department of Homeland Security			<u>\$ 15,523</u>
<u>U.S. Department of Defense</u>			
Junior Reserve Officers' Training Corps	12.000	Direct	\$ 65,660
Total U.S. Department of Defense			<u>\$ 65,660</u>
Total Expenditures of Federal Awards			<u>\$ 8,427,377</u>

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Whitley County School District under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Whitley County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Whitley County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE E – INDIRECT COST RATE

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

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified		
Internal control over financial reporting:			
Material weakness identified	Yes	✓	No
Significant deficiencies identified that are not considered to be material weaknesses	Yes	✓	None reported
Noncompliance material to financial statement notes	Yes	✓	No

Federal Awards

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.425D	COVID-19 – CARES Act Funds (ESSER)
97.036	COVID-19 – FEMA (Federal Emergency Management Assistance)

Dollar threshold used to distinguish between Type A and Type B program \$ 750,000

Auditee qualified as low risk ✓ Yes No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2020

There were no prior year audit findings.

Marr, Miller & Myers, 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 BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 1, 2020

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 1, 2020.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

Marr, Miller & Myers, PSC

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*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marr, Miller & Myers, PSC

Certified Public Accountants

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

October 1, 2020

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Whitley 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, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Marr, Miller & Myers, PSC

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, 2020.

Report on Internal Control Over Compliance

Management of the 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 the District's internal control over compliance.

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

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

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

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October 1, 2020

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

In planning and performing our audit of the financial statements of the Whitley County School District for the year ended June 30, 2020, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we noted no areas that we felt warranted any additional comments or recommendations.

Marr, Miller & Myers, PSC

Certified Public Accountants