TRIGG COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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TRIGG COUNTY SCHOOL DISTRICT
JUNE 30, 2019

BOARD OF EDUCATION

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Gayle Rufli, Member
Charlene Sheehan, Member
Theresa Allen, Member
Clara Beth Hyde, Member

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Holly Greene, CPA, Finance Officer

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ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA

DUGUID, GENTRY & ASSOCIATES, P.S.C.
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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee
for School District Audits
Members of the Board of Education
Trigg County School District
Cadiz, 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 Trigg County School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. 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.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and postemployment benefits schedules on pages 4–13, 72–76 and 77–85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Trigg County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trigg County School District's internal control over financial reporting and compliance.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 8, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019

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

FINANCIAL HIGHLIGHTS

- The ending cash and investments balance for the District was $10,122,170, as compared with the beginning cash balance of $9,648,009. The ending cash and investments balance consists of General Fund of $7,097,000, Capital Outlay $1,263,810, Other Governmental Funds of $1,456,396, Food Service Fund of $136,832, Day Care Fund $33,817 and School Activity Funds of $134,315.

- Total government-wide net position increased by $793,882, which includes a prior period adjustment in the amount of $193,040 and net income of $600,842 from current year operations for the fiscal year ended June 30, 2019. Total long-term obligations had a net decrease of ($904,715), while the unrestricted net assets decreased ($304,696) and restricted assets increased by $311,384.

- The General Fund had $19,707,198 in revenue, which primarily consisted of the state program (SEEK) funds, property, utilities, motor vehicle and in lieu of taxes, and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues increased $168,087 in comparison to prior year of $19,539,111. Excluding interfund transfers, there were General Fund expenditures totaling $19,412,657. This is an increase of $505,838 compared to $18,906,819 in General Fund expenditures for the prior year.

- The financial statements reflect a total of $5,520,987 of revenues and aid from the state for payments made by the state on-behalf of District employees for retirement contributions, health insurance, technology and debt service. A like amount of expenses is also recorded in the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows and liabilities and deferred inflows – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District's activities are reported as governmental activities.

- Governmental activities – All of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of the activities.

Fund financial statements – The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.

- *Proprietary funds* – The District's proprietary funds are food service and day care. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.

- *Fiduciary funds* – The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District's fiduciary funds consist of student activities funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 86.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $10,934,089 as of June 30, 2019.

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

Following is a summary of the District's government-wide net position for as of June 30, 2019 and 2018:

Net Position as of June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		District Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current assets and other assets	$ 10,044,182	$ 9,700,791	$ 182,852	$ 142,408	$ 10,227,034	$ 9,843,199
Capital assets	16,480,369	16,569,507	888,180	922,677	17,368,549	17,492,184
Total assets	26,524,551	26,270,298	1,071,032	1,065,085	27,595,583	27,335,383
Deferred outflows	2,092,026	2,298,945	397,673	471,245	2,489,699	2,770,190
Liabilities:						
Current liabilities	660,194	1,039,290	-	62	660,194	1,039,352
Long-term debt	15,591,715	16,477,950	1,439,894	1,458,374	17,031,609	17,936,324
Total liabilities	16,251,909	17,517,240	1,439,894	1,458,436	17,691,803	18,975,676
Deferred inflows	1,290,553	771,770	168,837	149,982	1,459,390	921,752
Net position:						
Investment in capital assets, net of related debt	13,011,934	12,258,181	888,180	922,677	13,900,114	13,180,858
Restricted	3,098,064	2,786,680	-	-	3,098,064	2,786,680
Unrestricted	(5,035,883)	(4,764,628)	(1,028,206)	(994,765)	(6,064,089)	(5,759,393)
Total net position	$ 11,074,115	$ 10,280,233	$ (140,026)	$ (72,088)	$ 10,934,089	$ 10,208,145

Changes in net position. The District's governmental activities net position increased by $793,882, which includes net income of $600,842 from current year operations. The business-type activities net position decreased by ($67,938).

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations for the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal and interest by the SFCC of $256,313. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements.

The District's financial position is the product of many factors. For example, the determination of the District's investment in capital assets, net of related debt, involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

Following is a summary of changes in the District's net position for the years ended June 30, 2019 and 2018:

Changes in Net Position for the Fiscal Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		District Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ -	$ -	$ 274,411	$ 288,120	$ 274,411	$ 288,120
Operating grants and contributions	7,674,488	7,569,490	914,246	908,032	8,588,734	8,477,522
Capital grants and contributions	256,313	256,276	-	-	256,313	256,276
General revenues:						
Property taxes	4,681,985	4,633,136	-	-	4,681,985	4,633,136
Other taxes	3,176,877	3,052,578	-	-	3,176,877	3,052,578
State aid	7,277,879	7,279,839	133,909	172,644	7,411,788	7,452,483
Investment earnings	253,242	130,218	2,225	988	255,467	131,206
Other	270,115	258,075	4,393	1,840	274,508	259,915
Total revenues	23,590,899	23,179,612	1,329,184	1,371,624	24,920,083	24,551,236
Expenses:						
Instruction	14,131,802	13,980,549	-	-	14,131,802	13,980,549
Support services:						
Student	1,115,994	1,132,481	-	-	1,115,994	1,132,481
Instructional staff	1,355,053	1,322,070	-	-	1,355,053	1,322,070
District administration	879,006	995,385	-	-	879,006	995,385
School administration	1,208,636	1,217,037	-	-	1,208,636	1,217,037
Business	869,908	943,693	-	-	869,908	943,693
Plant operations and maintenance	1,631,002	1,541,604	-	-	1,631,002	1,541,604
Student transportation	1,391,477	1,298,203	-	-	1,391,477	1,298,203
Community services activities	173,763	157,050	-	-	173,763	157,050
Food service operations	-	1,878	-	-	-	1,878
Interest on long-term debt	128,762	150,802	-	-	128,762	150,802
Other	104,654	109,609	-	-	104,654	109,609
Food service	-	-	1,172,939	1,323,614	1,172,939	1,323,614
Day care	-	-	224,183	229,720	224,183	229,720
Total expenses	22,990,057	22,850,361	1,397,122	1,553,334	24,387,179	24,403,695
Change in net position before transfers	600,842	329,251	(67,938)	(181,710)	532,904	147,541
Transfers in (out)	-	-	-	-	-	-
Change in net position after transfers	$ 600,842	$ 329,251	$ (67,938)	$ (181,710)	$ 532,904	$ 147,541

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, The District's governmental funds reported combined ending fund balances of $9,915,218, an increase of $382,663 in comparison to prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2019 and 2018.

The main sources of the General Fund's revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District's activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state, and expenditures of those grants for specific programs in accordance with the grants' guidelines.

The SEEK Capital Outlay Fund's revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund's revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds' resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term obligations.

Following is a summary of fund balances as of June 30, 2019 and 2018:

Governmental Funds Balances as of June 30, 2019 and 2018:

	2019	2018	Increase (Decrease)
Governmental Funds			
General Fund	$ 7,089,874	$ 6,869,875	$ 219,999
Special Revenue Fund	709	29,903	(29,194)
Building Fund	506,163	427,457	78,706
Capital Outlay	1,407,515	1,189,584	217,931
District Activity Funds	31,577	-	31,577
Debt Service Fund	(39,276)	(39,276)	-
Construction Fund	918,656	1,055,012	(136,356)
Total governmental funds	$ 9,915,218	$ 9,532,555	$ 382,663

General Fund – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund is $3,507,879, while total fund balance reached $7,089,874. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 18.07% of the total General Fund expenditures, while total fund balance represents 36.53% of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by $219,999. This increase in General Fund balance was primarily due to controlling expenditures, within the available revenues. Revenues, transfers and proceeds from sale of fixed assets totaling $19,708,476 increased $165,540, while expenditures and transfers out totaling $19,488,477 increased $115,585.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the budgets of the District's funds are prepared to account for most transactions on a cash receipt/cash disbursement basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2% contingency. The District adopted a General Fund budget with a contingency of 5.56%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by DOE.

As noted on the Budgetary Comparison Schedule for the General Fund contained in the Required Supplementary Information, the General Fund budget did not include $5,140,888 of state payments on-behalf of District employees for retirement, health benefits, technology and debt service. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District's total revenues for General Fund activities for the fiscal year ended June 30, 2019, excluding interfund transfers, beginning balances and on-behalf payments, were $14,566,310; compared to the total budgeted revenues of $12,934,043.

- The District's total expenditures for General Fund activities for the fiscal year ended June 30, 2019, excluding interfund transfers and on-behalf payments, were $14,271,769; compared to the total budgeted expenditures of $19,784,533.

Significant Board action that impacts the District's finances includes the award of multiple contracts and salary increases mandated by the Legislature.

Fund 2 is made up of state, local and federal grants. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies and transportation.

Funds 310 and 320 are restricted funds for capital projects. The District has used those funds for debt service payments. The State contributes to those funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2019, the District had $17,368,549 invested in capital assets net of depreciation: historical cost totaled $38,068,781 with accumulated depreciation totaling $20,700,232. These assets include school, athletic and support facilities, as well as technology, food service and other equipment. Funds in the amount of $966,263 were expended on acquisition and improvements during the year. Depreciation charged to expense during the year totaled $1,089,898, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 4 to the financial statements.

Following is a summary of capital assets, net of depreciation, as of June 30, 2019 and 2018.

Net Capital Assets as of June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		District Total	
	2019	2018	2019	2018	2019	2018
Land	$ 300,850	$ 300,850	$ -	$ -	$ 300,850	$ 300,850
Construction in progress	701,594	107,093	-	-	701,594	107,093
Buildings and improvements	13,880,632	14,627,861	849,799	878,606	14,730,431	15,506,467
Land improvements	183,293	74,905	-	-	183,293	74,905
Technology equipment	121,294	167,872	-	-	121,294	167,872
Vehicles	1,116,134	1,128,240	-	-	1,116,134	1,128,240
General equipment	176,572	162,686	38,381	44,071	214,953	206,757
	$ 16,480,369	$ 16,569,507	$ 888,180	$ 922,677	$ 17,368,549	$ 17,492,184

Long-Term Debt – The District's long-term general obligation bonds outstanding at June 30, 2019 were $3,490,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay $2,133,274 of the bonds leaving the District to pay $1,356,726. The liability for compensated absences remained steady for the fiscal year. Other long-term obligations, mostly leases on buses and office equipment, will decrease as the leases are paid down.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District's long-term liabilities may be found in Note 5 to the financial statements.

OUTLOOK FOR THE FUTURE

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District's major source of revenue is state aid, primarily Kentucky SEEK funding.

The District's financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District's Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc. The Superintendent and Finance Officer work with the members of the Board to insure there are controlled expenditures for capital outlay that may arise without causing a decrease to the funding for the education and safety of our students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Superintendent or Finance Officer (270.522.6075) or by mail at 202 Main Street, Cadiz, KY 42211.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,720,206	$ 170,649	$ 2,890,855
Investments	7,097,000	-	7,097,000
Accounts receivable:			
Taxes	115,592	-	115,592
Other	21,205	-	21,205
Intergovernmental - indirect federal	90,179	-	90,179
Inventory	-	12,203	12,203
Capital assets:			
Non-depreciable	1,002,444	-	1,002,444
Depreciable (net)	15,477,925	888,180	16,366,105
Total assets	26,524,551	1,071,032	27,595,583
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension and OPEB	2,092,026	397,673	2,489,699
Total deferred outflows of resources	2,092,026	397,673	2,489,699
LIABILITIES			
Accounts payable	85,471	-	85,471
Unearned revenue	43,493	-	43,493
Accrued interest	15,116	-	15,116
Long-term obligations			
Portion due or payable within one year:			
Bonds payable	515,000	-	515,000
Compensated absences	1,114	-	1,114
Portion due or payable after one year			
Bonds payable	2,953,435	-	2,953,435
Compensated absences	161,000	20,092	181,092
Net pension liability and OPEB	12,477,280	1,419,802	13,897,082
Total liabilities	16,251,909	1,439,894	17,691,803

Continued

TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION, continued
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred pension and OPEB	1,290,553	168,837	1,459,390
Total deferred inflows of resources	1,290,553	168,837	1,459,390
NET POSITION			
Invested in capital assets, net of related debt	13,011,934	888,180	13,900,114
Restricted	3,098,064	-	3,098,064
Unrestricted	(5,035,883)	(1,028,206)	(6,064,089)
Total net position	$ 11,074,115	$ (140,026)	$ 10,934,089

See accompanying notes to financial statements

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants & Contributions	Net (Expenses) Revenues
Governmental Activities:					
Current:					
Instruction	$ 14,131,802	$ -	$ 5,326,233	$ -	$ (8,805,569)
Support services:					
Student	1,115,994	-	342,813	-	(773,181)
Instructional staff	1,355,053	-	832,344	-	(522,709)
District administrative	879,006	-	97,338	-	(781,668)
School administrative	1,208,636	-	379,936	-	(828,700)
Business	869,908	-	211,539	-	(658,369)
Plant operations and maintenance	1,631,002	-	111,006	-	(1,519,996)
Student transportation	1,391,477	-	206,664	-	(1,184,813)
Community service activities	173,763	-	166,615	-	(7,148)
Facilities acquisition and construction	104,654	-	-	-	(104,654)
Interest on long-term debt	128,762	-	-	256,313	127,551
Total governmental activities	22,990,057	-	7,674,488	256,313	(15,059,256)
Business-Type Activities:					
Food service	1,172,939	100,591	914,246	-	(158,102)
Day care services	224,183	173,820	-	-	(50,363)
Total business-type activities	1,397,122	274,411	914,246	-	(208,465)
Total activities	$ 24,387,179	$ 274,411	$ 8,588,734	$ 256,313	$ (15,267,721)

Continued

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

	Governmental Activities	Business-Type Activities	Total
Change in Net Position			
Net revenues (expenses)	(15,059,256.00)	$ (208,465)	$ (15,267,721)
General Revenues			
Taxes:			
Property	4,681,985	-	4,681,985
Motor vehicle	543,509	-	543,509
Utilities	870,724	-	870,724
Other	1,762,644	-	1,762,644
Investment earnings	253,242	2,225	255,467
State aid	7,277,879	133,909	7,411,788
Gain (loss) on sale of fixed assets	1,278	-	1,278
Miscellaneous	268,837	4,393	273,230
Total general revenues	15,660,098	140,527	15,800,625
Change in net position before transfers	600,842	(67,938)	532,904
Transfers in (out)	-	-	-
Change in net position after transfers	600,842	(67,938)	532,904
Net position, July 1, 2018	10,280,233	(72,088)	10,208,145
Prior period adjustment (Note 18)	193,040	-	193,040
Net position, July 1, 2018, restated	10,473,273	(72,088)	10,401,185
Net position, June 30, 2019	$ 11,074,115	$ (140,026)	$ 10,934,089

See accompanying notes to financial statements

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

TRIGG COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Special Revenue	SEEK Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ -	$ -	$ 1,263,810	$ 1,456,396	$ 2,720,206
Investments	7,097,000	-	-	-	7,097,000
Accounts receivable:					
Taxes	115,592	-	-	-	115,592
Other	21,205	-	-	-	21,205
Interfund receivable	-	-	143,705	-	143,705
Intergovernmental - indirect federal	-	90,179	-	-	90,179
Total assets	$ 7,233,797	$ 90,179	$ 1,407,515	$ 1,456,396	$ 10,187,887
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 85,471	$ -	$ -	$ -	$ 85,471
Interfund payable	58,452	45,977	-	39,276	143,705
Unearned revenue	-	43,493	-	-	43,493
Total liabilities	143,923	89,470	-	39,276	272,669
Fund balances					
Nonspendable	-	-	-	-	-
Spendable:					
Restricted	272,720	709	1,407,515	1,417,120	3,098,064
Committed	2,375,000	-	-	-	2,375,000
Assigned	934,275	-	-	-	934,275
Unassigned	3,507,879	-	-	-	3,507,879
Total fund balances	7,089,874	709	1,407,515	1,417,120	9,915,218
Total liabilities and fund balances	$ 7,233,797	$ 90,179	$ 1,407,515	$ 1,456,396	$ 10,187,887

See accompanying notes to financial statements

TRIGG COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balance per fund financial statements		$ 9,915,218
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $36,300,724, and the accumulated depreciation is $19,820,355.		16,480,369
Pension and other OPEB related items:		
Deferred outflows of resources		2,092,026
Deferred inflows of resources		(1,290,553)
Unfunded pension and other postemployment benefits liabilities		(12,477,280)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bond obligations	$ (3,462,557)	
Bond premium	(5,878)	
Accrued interest on bonds	(15,116)	
Noncurrent portion of accumulated sick leave	(162,114)	(3,645,665)
Net position for governmental activities		$ 11,074,115

See accompanying notes to financial statements

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

	General Fund	Special Revenue	SEEK Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
From local sources:					
Taxes					
Property	$ 4,137,228	$ -	$ -	$ 544,757	$ 4,681,985
Motor vehicle	543,509	-	-	-	543,509
Utilities	870,724	-	-	-	870,724
Other	1,762,644	-	-	-	1,762,644
Student activities	20,056	-	-	-	20,056
Earnings on investments	186,230	1,680	37,136	28,196	253,242
Other local revenues	177,995	4,657	-	66,129	248,781
Intergovernmental - state	11,972,576	1,159,582	180,795	485,471	13,798,424
Intergovernmental - federal	36,236	1,374,020	-	-	1,410,256
Total revenues	19,707,198	2,539,939	217,931	1,124,553	23,589,621
EXPENDITURES					
Current:					
Instruction	11,391,628	1,448,770	-	-	12,840,398
Support services:					
Student	1,050,497	60,239	-	29,482	1,140,218
Instructional staff	684,631	669,093	-	-	1,353,724
District administration	832,965	20,000	-	-	852,965
School administration	1,190,714	17,912	-	-	1,208,626
Business	732,088	135,750	-	-	867,838
Plant operations and maintenance	1,567,165	-	-	-	1,567,165
Student transportation	1,339,967	72,133	-	-	1,412,100
Community service activities	-	170,621	-	-	170,621
Property	-	-	-	6,000	6,000
Land improvements/acquisition	55,547	-	-	166,531	222,078
Site improvement	567,455	-	-	-	567,455
Building improvements	-	-	-	21,457	21,457
Debt service	-	-	-	977,591	977,591
Total expenditures	19,412,657	2,594,518	-	1,201,061	23,208,236

Continued

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

	General Fund	Special Revenue	SEEK Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Excess (deficit) of revenues over (under) expenditures	294,541	(54,579)	217,931	(76,508)	381,385
Other financing sources (uses)					
Proceeds from disposal of fixed assets	1,278	-	-	-	1,278
Operating transfers in	-	25,385	-	771,713	797,098
Operating transfers out	(75,820)	-	-	(721,278)	(797,098)
Total other financing sources (uses)	(74,542)	25,385	-	50,435	1,278
Net changes in fund balances	219,999	(29,194)	217,931	(26,073)	382,663
Fund balances, July 1, 2018	6,869,875	29,903	1,189,584	1,443,193	9,532,555
Fund balances, June 30, 2019	$ 7,089,874	$ 709	$ 1,407,515	$ 1,417,120	$ 9,915,218

See accompanying notes to financial statements

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

Net change in total fund balances per fund financial statements		$ 382,663
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Capital outlay	$ 966,263	
Depreciation expense	(1,055,401)	(89,138)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the governmental funds financial statements but is a reduction of the liability in the statement of net position.		
Bond payments		850,000
Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:		
Deferred pension and postemployment benefits amounts	(523,095)	
Amortization of bond discount	(8,369)	
Amortization of bond premium	1,259	
Increase in accrued interest payable	5,939	
Decrease in compensated absences	(18,417)	(542,683)
Change in net position of governmental activities		$ 600,842

See accompanying notes to financial statements

PROPRIETARY FUND FINANCIAL STATEMENTS

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

	School Food Service Fund	Day Care Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 136,832	$ 33,817	$ 170,649
Inventory	12,203	-	12,203
Total current assets	149,035	33,817	182,852
Noncurrent assets			
Capital assets	1,768,057	-	1,768,057
Less: accumulated depreciation	(879,877)	-	(879,877)
Total noncurrent assets	888,180	-	888,180
Total assets	1,037,215	33,817	1,071,032
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension and OPEB	309,369	88,304	397,673
LIABILITIES			
Current liabilities			
Accounts payable	-	-	-
Total current liabilities	-	-	-
Long-term liabilities			
Compensated absences	20,092	-	20,092
Net pension liability and OPEB	1,108,058	311,744	1,419,802
Total long-term liabilities	1,128,150	311,744	1,439,894
Total liabilities	1,128,150	311,744	1,439,894
DEFERRED INFLOWS OF RESOURCES			
Deferred pension and OPEB	128,801	40,036	168,837
NET POSITION			
Invested in capital assets, net of related debt	888,180	-	888,180
Unrestricted	(798,547)	(229,659)	(1,028,206)
Total net position	$ 89,633	$ (229,659)	$ (140,026)

See accompanying notes to financial statements

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

	School Food Service Fund	Day Care Fund	Total
OPERATING REVENUES			
Lunchroom sales	$ 100,591	$ -	$ 100,591
Child care fees	-	173,820	173,820
Other revenue	-	4,393	4,393
Total operating revenues	100,591	178,213	278,804
OPERATING EXPENSES			
Salaries and wages	539,513	214,467	753,980
Materials and supplies	563,984	9,716	573,700
Depreciation	34,497	-	34,497
Contract services	34,265	-	34,265
Other operating expenses	680	-	680
Total operating expenses	1,172,939	224,183	1,397,122
Operating income (loss)	(1,072,348)	(45,970)	(1,118,318)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	858,091	-	858,091
Donated commodities	56,155	-	56,155
State grants	10,123	-	10,123
State on-behalf payments	88,429	35,357	123,786
Interest income	2,225	-	2,225
Total non-operating revenues (expenses)	1,015,023	35,357	1,050,380
Change in net position	(57,325)	(10,613)	(67,938)
Net position, July 1, 2018	146,958	(219,046)	(72,088)
Net position, June 30, 2019	$ 89,633	$ (229,659)	$ (140,026)

See accompanying notes to financial statements

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

	School Fund Service Fund	Day Care Fund	Total
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	$ 100,591	$ -	$ 100,591
Child care fees	-	173,820	173,820
Other activities	-	4,393	4,393
Cash paid to/for:			
Employees	(396,269)	(159,978)	(556,247)
Supplies	(493,864)	(9,716)	(503,580)
Other activities	(34,948)	-	(34,948)
Net cash provided (used) by operating activities	(824,490)	8,519	(815,971)
Cash flows from noncapital financing activities			
Operating transfers in (out)	-	-	-
Government grants	868,215	-	868,215
Net cash provided (used) by noncapital financing activities	868,215	-	868,215
Cash flows from investing activities			
Receipt of interest income	2,225	-	2,225
Net cash provided (used) by investing activities	2,225	-	2,225
Net increase (decrease) in cash and cash equivalents	45,950	8,519	54,469
Balances, beginning of year	90,882	25,298	116,180
Balances, end of year	$ 136,832	$ 33,817	$ 170,649

Continued

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

	School Fund Service Fund	Day Care Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ (1,072,348)	$ (45,970)	$ (1,118,318)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	34,497	-	34,497
Donated commodities	56,155	-	56,155
State on-behalf payments	88,429	35,357	123,786
Change in assets and liabilities:			
Accounts receivable	-	-	-
Inventory	14,024	-	14,024
Accounts payable	(62)	-	(62)
Deferred pension and OPEB	53,778	19,132	72,910
Compensated absences	1,037	-	1,037
Net cash provided (used) by operating activities	$ (824,490)	$ 8,519	$ (815,971)
Schedule of non-cash transactions:			
Donated commodities received from federal government	$ 56,155	$ -	$ 56,155
On-behalf payments	88,429	35,357	123,786

See accompanying notes to financial statements

FIDUCIARY FUNDS FINANCIAL STATEMENT

TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 134,315
Accounts receivable	-
Total assets	134,315
LIABILITIES	
Accounts payable	-
Due to student groups	134,315
Total liabilities	134,315
NET POSITION	$ -

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Trigg 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 education within the jurisdiction of the Trigg 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 a component unit of any other governmental "reporting entity". 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 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 statements of the following organization are included in the accompanying financial statements. On March 12, 1992, Trigg County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) was formed as an agency of the District for financing the costs of school building facilities. The Board Members of the Trigg 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. Interfund activity is eliminated to avoid "doubling up" revenues and expenses.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

Fund Financial Statements

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

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, state and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost reimbursement funds first to finance such programs with remaining costs paid with general revenues.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

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.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

> The *Special Revenue (Grant) Fund* includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

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

> The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.
>
> The *Facility Support Program of Kentucky Fund (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.
>
> The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Proprietary Funds

Proprietary funds are used to account for ongoing organizations and activities which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The funds' principal operating revenues are food service charges and daycare fees. Operating expenses include salaries, benefits, supplies and depreciation on capital assets. All items not meeting this definition are reported as non-operating revenues and expenses. The District has two proprietary funds:

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

The *Child Care Fund* accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *Uniform Program of Accounting for School Activity Funds*. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

Revenues – Exchange and Non-exchange Transactions:

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means expected to be received within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are 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 specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses and changes in net position as an expense and as a donated commodities revenue (non-operating revenue).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2019, to finance the General Fund operations were $.529 per $100 valuation for real property, $.530 per $100 valuation for business tangible personal property, and $.460 per $100 valuation for motor vehicles.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from those estimates.

Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after non-operating revenues/expenses in proprietary funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2019. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Assets, Liabilities and Equity

Cash and Cash Equivalents

The District considers demand deposits, money market funds and time deposits that are nonnegotiable, to be cash and cash equivalents, for governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statements of cash flows.

Investments

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITs), derivatives and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments, for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Commingled assets that are not traded on a national exchange are valued by the commingled manager. The District performs due diligence reviews of the investment pricing, process and infrastructure of private equity, commingled and real estate investments to assure that the asset values provided by the managers are available.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to the District's investment operations, as well as the internal administrative expenses directly related to the District's investment program. The District's investments at June 30, 2019 consist of certificates of deposit.

Prepaid Expenditures

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

Inventories

Inventories are valued at cost, which approximates market. The Food Service Fund uses the specific identification method and the General Fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3).

Interfund Balances

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

Capital Assets

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

All capital assets greater than $5,000 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 does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the value of the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other	10 years

Accrued Liabilities and Long-Term Obligations

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

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

Debt Premium and Discounts

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Pensions and Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category: the deferred outflows of resources related to the net pension liability described in Note 11 and the OPEB liability described in Note 12.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category: the deferred inflows of resources relate to the net pension liability as described in Note 11 and the OPEB liability described in Note 12.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balances

In the fund financial statements, governmental fund balances are classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education's formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or Management. The Board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds, when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed, assigned and then unassigned fund balances.

Net Position

Net positions represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

Subsequent Events

Subsequent events have been evaluated through November 8, 2019, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At June 30, 2019, the carrying amount of the District's deposits was $3,025,170 and the bank balance was $4,467,661. Of the District's bank balances, $500,000 was covered by Federal Deposit Insurance, with the remaining balance of $3,967,661 collateralized as discussed above.

The carrying amounts are reflected in the financial statements as follows:

Government funds	$ 2,720,206
Proprietary funds	170,649
Fiduciary funds	134,315
	$ 3,025,170

NOTE 3 – INVESTMENTS

Fair Value Measurement

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three tiered fair value hierarchy, as follows:

Level 1 – Quoted prices for identical investments in active markets;
Level 2 – Observable inputs other than quoted market prices; and
Level 3 – Unobservable inputs.

At June 30, 2019, the District had the following investments at fair value measurements.

NOTE 3 – INVESTMENTS, continued

Certificates of Deposit	Fair Value Measurements Using Level 1	Level 2	Level 3
CD-CADRE/PFM Securities	$ 7,097,000	$ -	$ -
Total investments measured at fair value	$ 7,097,000	$ -	$ -

The balance of CADRE Securities includes 28 certificates of deposit at different individual financial institutions. Each of the certificates is insured 100% by FDIC at the bank in which each certificate is held.

Interest Rate Risk

The District does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates. In general, certificates of deposit are not subject to interest rate risk.

The District does not have an investment policy for custodial credit risk. In general, certificates of deposit are not subject to investment credit risk.

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets not depreciated:				
Land	$ 300,850	$ -	$ -	$ 300,850
Construction in progress	107,093	712,326	117,825	701,594
Total nondepreciable historical cost	407,943	712,326	117,825	1,002,444
Capital assets depreciated:				
Building and improvements	28,223,380	-	-	28,223,380
Land improvements	120,005	117,825	-	237,830
Technology equipment	2,360,893	6,076	6,992	2,359,977
Vehicles	3,173,729	199,050	10,000	3,362,779
General equipment	1,065,503	48,811	-	1,114,314
Total depreciable historical cost	34,943,510	371,762	16,992	35,298,280
Less: accumulated depreciation				
Building and improvements	13,595,519	747,229	-	14,342,748
Land improvements	45,100	9,437	-	54,537
Technology equipment	2,193,021	52,654	6,992	2,238,683
Vehicles	2,045,489	211,156	10,000	2,246,645
General equipment	902,817	34,925	-	937,742
Total accumulated depreciation	18,781,946	1,055,401	16,992	19,820,355
Total depreciable historical cost - net	16,161,564	(683,639)	-	15,477,925
Governmental activities capital assets - net	$ 16,569,507	$ 28,687	$ 117,825	$ 16,480,369

The balance in construction in progress is not shown on the Annual Financial Report of the District.

NOTE 4 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Instruction	$ 768,309
Support services:	
Student	10,583
Instructional staff	1,329
District administration	22,261
School administration	10
Business	2,070
Plant operations and maintenance	69,270
Student transportation	178,427
Community service activities	3,142
	$ 1,055,401

Business-Type Activities	**Balance July 1, 2018**	**Additions**	**Deductions**	**Balance June 30, 2019**
Capital assets depreciated:				
Buildings and improvements	$ 1,440,338	$ -	$ -	$ 1,440,338
Technology equipment	16,901	-	-	16,901
General equipment	310,818	-	-	310,818
Total depreciable historical cost	1,768,057	-	-	1,768,057
Less: accumulated depreciation				
Buildings and improvements	561,732	28,807	-	590,539
Technology equipment	16,901	-	-	16,901
General equipment	266,747	5,690	-	272,437
Total accumulated depreciation	845,380	34,497	-	879,877
Business-type activities, capital assets - net	$ 922,677	$ (34,497)	$ -	$ 888,180

NOTE 5 – LONG-TERM OBLIGATIONS

The amount shown in the accompanying financial statements as lease and bonded debt obligations represents the District's future obligations to make payments related to school building revenue bonds issued by the Trigg County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected in the fund financial statements.

Issue Date	Original Proceeds	Interest Rates	Balance June 30, 2019
2006	$ 855,000	3.75% - 4.15%	$ 380,000
2012	2,470,000	1.00% - 2.50%	1,650,000
2013	1,830,000	2.00% - 4.00%	1,460,000

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund), is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Trigg County School District Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become property of the District. The District is obligated to maintain property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

In connection with the school revenue bonds issued after May 1, 1996, the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table that follows sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

NOTE 5 – LONG-TERM OBLIGATIONS, continued

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

	Trigg County School District		School Facilities Construction Commission		
	Principal	Interest	Principal	Interest	Total
2020	$ 329,504	$ 30,175	$ 185,496	$ 70,391	$ 615,566
2021	335,144	23,584	189,856	65,377	613,961
2022	335,721	16,463	194,279	60,095	606,558
2023	356,357	8,909	203,643	54,552	623,461
2024	-	-	195,000	48,535	243,535
2025-2029	-	-	605,000	163,595	768,595
2030-3034	-	-	560,000	55,400	615,400
	$ 1,356,726	$ 79,131	$ 2,133,274	$ 517,945	$ 4,087,076

NOTE 5 – LONG-TERM OBLIGATIONS, continued

Changes in long term liability accounts during the year are summarized below:

	Balance July 1, 2018	New Issues/ Adjustments	Debt Payments/ Refunds	Balance June 30, 2019	Due within One Year
Bonds payable:					
Revenue bonds	$ 4,340,000	$ -	$ 850,000	$ 3,490,000	$ 515,000
Less premium(discount)	(28,674)	-	(7,109)	(21,565)	-
Total bonds payable	4,311,326	-	842,891	3,468,435	515,000
Other liabilities:					
Compensated absences					
Governmental	143,697	18,417		162,114	1,114
Business-type	19,055	1,037	-	20,092	-
Total other liabilities	162,752	19,454	-	182,206	1,114
Total long-term liabilities	$ 4,474,078	$ 19,454	$ 842,891	$ 3,650,641	$ 516,114

NOTE 6 – COMPENSATED ABSENCES

Upon retirement from the school system, employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated the amount for governmental activities will be approximately $162,114 with $1,114 considered the short-term portion. Management has estimated the amount for business type activities will be approximately $20,092 with $-0- considered the short-term portion.

NOTE 7 – FUND BALANCE REPORTING

The following is a summary of designations of Fund Balance at June 30, 2019:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Nonspendable	$ -	$ -	$ -	$ -
Restricted:				
Compensated absences	272,720	-	-	272,720
Debt service	-	-	(39,276)	(39,276)
SFCC escrow	-	-	506,163	506,163
Construction	-	-	918,656	918,656
SEEK Capital outlay	-	-	1,407,515	1,407,515
District activity	-	-	31,577	31,577
Technology	-	709	-	709
Committed:				
Site improvement - construction service	600,000	-	-	600,000
Land acquisition	850,000	-	-	850,000
Architect and engineering service	50,000	-	-	50,000
Buildings	250,000	-	-	250,000
Gas tanks and pumps	625,000	-	-	625,000
Assigned:				
Site based carry forward	59,275	-	-	59,275
Site improvement	200,000	-	-	200,000
Computer and related equipment	350,000	-	-	350,000
Land improvement - construction	250,000	-	-	250,000
Land improvement - furniture and fixtures	75,000	-	-	75,000
Unassigned	3,507,879	-	-	3,507,879
	$ 7,089,874	$ 709	$ 2,824,635	$ 9,915,218

NOTE 8 – TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Construction	Revised BG-1 Transfer	$ 50,435
General	Special Revenue	KETS Offers	25,385
Building	Debt Service	Debt Payment	721,278
			$ 797,098

NOTE 9 – DEFICIT OPERATING FUND BALANCES

The Debt Service Fund had a deficit fund balance of $39,276 at June 30, 2019.

NOTE 10 – ON-BEHALF PAYMENTS

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2019:

Health insurance	$ 2,223,040
Life insurance	3,439
Administrative fee	28,396
Health reimbursement account - HRA/dental/vision	98,796
	2,353,671
Federal reimbursements of health benefits	(157,553)
	2,196,118
KTRS Pension Fund	2,747,779
KTRS Insurance Fund	233,147
Technology	87,630
SFCC debt service	256,313
	$ 5,520,987

NOTE 10 – ON-BEHALF PAYMENTS, continued

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements as follows:

Governmental activities:	
General Fund	$ 5,140,888
Debt Service Fund	256,313
Business-type activities:	
Food Service Fund	88,429
Day Care Fund	35,357
	$ 5,520,987

NOTE 11 – PENSION PLANS

The District participates in the County Employees' Retirement System (CERS), a blended component unit of the Commonwealth of Kentucky, and the Teachers' Retirement System of the State of Kentucky (KTRS), a blended unit of the Commonwealth of Kentucky. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position 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 benefits terms. Investments are reported at fair value.

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

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years' service or 65 years old
	Reduced retirement	At least 5 years' service and 55 years old At least 25 years' service and any age

NOTE 11 – PENSION PLANS, continued

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children or 75% of average pay for three children. The total pension liability as of June 30, 2018 is determined using these updated benefit provisions.

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

	Required contributions
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

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

At June 30, 2019, the District reported a liability of $6,727,046 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was based on the actuarial valuation date of June 30, 2017 rolled forward to the June 30, 2018, using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2018 contributions to the pension plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.110455%.

For the year ended June 30, 2019, the District recognized pension expense of $957,568. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 11 – PENSION PLANS, continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 219,417	$ 98,470
Change of assumptions	657,428	-
Net differences between projected and actual earnings on pension plan investments	312,813	393,474
Changes in proportion and difference between District contributions and proportionate share of contributions	-	177,821
District contributions subsequent to the measurement date	433,320	-
Total	$ 1,622,978	$ 669,765

The $433,320 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2020	$ 438,679
2021	208,830
2022	(91,511)
2023	(36,105)
2024	-
Thereafter	-
Total	$ 519,893

Actuarial assumptions – The total pension liability, net pension liability and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled forward from valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013. The most recent experience study was conducted in 2018 and will be used in the June 30, 2019 actuarial valuation for the Fiscal Year 2020 audit.

NOTE 11 – PENSION PLANS, continued

The June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Projected salary increases	3.05%
Investment rate of return, net of investment expense and inflation	6.25%

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

Long-term rate of return – The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe.

NOTE 11 – PENSION PLANS, continued

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	17.50%	14.50%
International equity*	17.50%	13.75%
Global bonds	4.00%	3.00%
Global credit	2.00%	3.75%
High yield	7.00%	7.50%
Emerging market debt	5.00%	6.00%
Private credit	10.00%	8.50%
Real estate*	5.00%	9.00%
Absolute return	10.00%	5.00%
Real return*	10.00%	7.00%
Private equity	10.00%	6.50%
Cash	2.00%	1.50%
Total	100.00%	

** Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan.*

*Discount rate – T*he discount rate used to measure the total pension liability for the measurement periods with years ended June 30, 2018 was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year (closed) amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of net pension liability to changes in the discount rate – The following table presents the District's proportionate share of the net pension liability, calculated using the discount rates selected by the pension system, 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 or 1-percentage-point higher than the current rate.

NOTE 11 – PENSION PLANS, continued

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
District's proportionate share of net pension liability	$ 8,468,654	$ 6,727,046	$ 5,267,883

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

Payable to the pension plan – *A*t June 30, 2019, the District reported a payable of $71,913 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

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

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

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

Participants who retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

NOTE 11 – PENSION PLANS, continued

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

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

Contributions – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to KTRS.

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

At June 30, 2019, the amount recognized by the District as it's proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support and the total portion of the net pension liability that was associated with the District were as follows:

Commonwealth's proportionate share of the KTRS net pension liability associated with the District	$ 37,922,617
	$ 37,922,617

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures.

For the year ended June 30, 2019, the District recognized pension expense of $4,581,595 and revenue of $4,581,595 for support provided by the State.

Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions

NOTE 11 – PENSION PLANS, continued

Valuation date	June 30, 2017
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	3.50% - 7.30%, including inflation
Inflation rate	3.00%
Municipal bond index rate	3.56%
Discount rate	4.49%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projections of Scale AA to 2020 with a setback of 1 year for females. The result of the experience study for the period July 1 2010 - June 30, 2015 will be reflected in the June 30, 2016 valuation and the June 30, 2017 GASB 67 report.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	42.00%	4.20%
Non U.S. equity	20.00%	5.20%
Fixed income	15.00%	1.20%
Additional categories*	8.00%	3.30%
Real estate	6.00%	3.80%
Private equity	7.00%	6.30%
Cash	2.00%	0.90%
Total	100.00%	

*Includes hedge funds, high yield, and non-US developed bonds

NOTE 11 – PENSION PLANS, continued

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at actuarially determined contribution rates, adjusted by 95%, for all fiscal years in the future. and the additional amounts appropriated for fiscal years 2017 and 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The change in the discount rate from the 4.49% used in the 2017 disclosure reports is considered a change in actuarial assumptions or other inputs under GASB 68.

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of KTRS.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the County Employees Retirement System Non-Hazardous OPEB Plan

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute Sections 61.510, 61.515, 61.702, 78.520 and 78.630. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city 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. The District participates in the Non-Hazardous plan.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. KRS contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.652, 61.962 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgement, the welfare of the Commonwealth so demands.

There was no legislation enacted during the 2018 legislative session that had a material change in benefit provisions for either system for this valuation period.

Contributions: The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5%. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2019, participating employers contributed 5.26%, of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund from the District were $140,521 for the years ended June 30, 2019. The OPEB contribution amount does not include the implicit subsidy reported in the amount of $31,636.

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

At June 30, 2019, the District reported a liability of $1,961,036 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on the District's share of 2018 contributions to the OPEB plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion for was 0.110451%.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

For the year ended June 30, 2019, the District recognized OPEB expense of $242,163.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 228,533
Changes of assumptions	391,648	4,531
Net difference between projected and actual earnings on OPEB plan investments	-	135,077
Changes in proportion and differences between District contributions and proportionate share of contributions	-	41,484
District contributions subsequent to the measurement date	140,521	-
Total	$ 532,169	$ 409,625

For the year ended June 30, 2019, $140,521 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	
2020	$ (1,039)
2021	(1,039)
2022	(1,039)
2023	25,195
2024	(25,039)
Thereafter	(15,016)
Total	$ (17,977)

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Actuarial Assumptions

The total OPEB liability, net OPEB liability and sensitivity information as of June 30, 2018 were based on actuarial valuation date of June 30, 2017. The total OPEB liability was rolled forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

Valuation date	June 30, 2017
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.05%, average
Investment rate of return	6.25%
Healthcare cost trend rates (pre-65)	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Healthcare cost trend rates (post-65)	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

The mortality table for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back on year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (make mortality rates are set back four years).

The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Nominal Return
US equity	17.50%	14.50%
International equity*	17.50%	13.75%
Global bonds	4.00%	3.00%
Global credit	2.00%	3.75%
High yield	7.00%	5.50%
Emerging market debt	5.00%	6.00%
Private credit	10.00%	8.50%
Real estate*	5.00%	9.00%
Absolute return	10.00%	5.00%
Real return*	10.00%	7.00%
Private equity	10.00%	6.50%
Cash	2.00%	1.50%
Total	100.00%	

**Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance*

Discount rate: The projection of cash flows used to determine the discount rate of 5.85% for CERS Non-hazardous, and 5.97% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the net OPEB liability as of June 30, 2018, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

	1% Decrease	Current Discount Rate	1% Increase
	4.85%	5.85%	6.85%
District's proportionate share of net OPEB liability	$ 2,547,071	$ 1,961,036	$ 1,461,841

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ 1,460,010	$ 1,961,036	$ 2,551,600

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

Payable to the OPEB plan: At June 30, 2018, the District reported a payable of $23,321 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2019.

General Information about the Teachers' Retirement System of Kentucky (KTRS) OPEB Plan

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.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

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

Medical Insurance Plan

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

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

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

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

At June 30, 2019, the District reported a liability of $5,209,000 for its proportionate share of the net OPEB liability the reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.150133%.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

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

District's proportionate share of net OPEB liability	$	5,209,000
State's proportionate share of net OPEB liability associated with the District		4,489,000
Total	$	9,698,000

For the year ended June 30, 2019, the District recognized OPEB expense of $567,000 and revenue of $314,000 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 267,000
Changes of assumptions	72,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	21,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	92,000
District contributions subsequent to the measurement date	262,552	-
Total	$ 334,552	$ 380,000

Of the total amount reported as deferred outflows of resources related to OPEB, $262,552 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Years Ending June 30	
2020	$ (61,000)
2021	(61,000)
2022	(61,000)
2023	(51,000)
2024	(53,000)
Thereafter	(21,000)
Total	$ (308,000)

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50-7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	1.02% for FY 2018 with an ultimate rate of 5.00% by 2030
Municipal bond index rate	3.89%
Discount rate	8.00%
Single equivalent interest rate	8.00%, net of OPEB plan investment expense, including inflation

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2017 valuation of the MIF were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The health care cost trend assumption was updated for the June 30, 2017 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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.

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global equity	58.00%	4.60%
Fixed income	9.00%	1.20%
Real estate	5.50%	3.80%
Private equity	6.50%	6.30%
Other additional categories*	20.00%	3.30%
Cash (LIBOR)	1.00%	0.90%
Total	100.00%	

**Modeled as 50% high yield and 50% bank loans.*

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

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	$ 6,109,000	$ 5,209,000	$ 4,460,000

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ 4,319,000	$ 5,209,000	$ 6,307,000

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Teachers' Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.trs.ky.gov.

Life Insurance Plan

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

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

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

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

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

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

KTRS	Life Insurance Fund
District's proportionate share of the net OPEB liability	$ -
State's proportionate share of the net OPEB liability associated with the District	77,000
Total	$ 77,000

For the year ended June 30, 2019, the District recognized OPEB expense of $13,000 and revenue of $13,000 for support provided by the State.

Actuarial Assumptions

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

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Municipal bond index rate	3.56%
Discount rate	7.50%
Single equivalent interest rate	7.50%, net of OPEB plan investment expense, including inflation

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

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

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

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

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Asset Class*	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. equity	40.00%	4.20%
International equity	23.00%	5.20%
Fixed income	18.00%	1.20%
Real estate	6.00%	3.80%
Private equity	5.00%	6.30%
Other additional categories	6.00%	3.30%
Cash (LIBOR)	2.00%	0.90%
Total	100.00%	

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

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

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report on the website at www.trs.ky.gov.

NOTE 13 – CONTINGENCIES AND COMMITMENTS

Grant Programs

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of 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.

NOTE 13 – CONTINGENCIES AND COMMITMENTS, continued

KSBIT

KSBIT is under a corrective action plan with the Kentucky Department of Insurance (DOI) due to a deficit in net worth. On May 13, 2014, an assessment plan for KSBIT members was approved by the Court which provides a payment for the KSBIT members. The approved assessment plan contained components which are subject to ongoing litigation. The payment plan from the assessment began subsequent to June 30, 2014. The District was notified in FY 2014 by the Kentucky School Board Insurance Trust of a liability in the amount of $174,124 for workers' compensation losses incurred by the Trust. The District made a 25% down payment in the amount of $43,531 in August 2014. The District chose to pay the remaining liability of $130,593 in six installments beginning August 31, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020.

NOTE 14 – RISK MANAGEMENT

The District is exposed to various risks of loss of assets associated with the risks related to torts; theft of, damage to and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disaster. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

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

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements.

NOTE 15 – COBRA

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

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

NOTE 16 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables at June 30, 2019 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ -	$ 58,452
Special Revenue Fund	-	45,977
Capital Outlay Fund	143,705	-
Debt Service Fund	-	39,276
Total	$ 143,705	$ 143,705

NOTE 17 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2019, the District adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued March 2018. Adoption of this statement did not have a significant impact on the District's financial position or results of operations.

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

Beginning net position for governmental activities was restated in the net amount of $193,040 to record deferred outflow for the subsequent contributions to the Medical Insurance Plan of $263,040 and to record the beginning balance of deferred inflows for the Medical Insurance Plan of ($70,000).

NOTE 19 – SUBSEQUENT EVENT

In October 2019, the District issued $13,415,000 in bonds for renovations at the Primary and Intermediate schools.

REQUIRED SUPPLEMENTARY INFORMATION

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
From local sources:				
Taxes				
Property	$ 4,080,000	$ 4,080,000	$ 4,137,228	$ 57,228
Motor vehicle	510,000	510,000	543,509	33,509
Utilities	850,000	850,000	870,724	20,724
Other	575,000	575,000	1,762,644	1,187,644
Student activities	-	-	20,056	20,056
Earnings on investments	50,000	50,000	186,230	136,230
Other local revenues	34,600	34,600	177,995	143,395
Intergovernmental - state	6,733,858	6,819,443	6,831,688	12,245
Intergovernmental - federal	15,000	15,000	36,236	21,236
Total revenues	12,848,458	12,934,043	14,566,310	1,632,267
EXPENDITURES				
Current:				
Instruction	8,101,974	8,152,749	7,480,150	672,599
Support services:				
Student	787,877	787,877	766,509	21,368
Instructional staff	628,728	628,728	505,671	123,057
District administration	1,104,084	1,104,084	755,155	348,929
School administration	838,839	838,839	828,269	10,570
Business	852,664	878,164	653,112	225,052
Plant operations and maintenance	1,674,757	1,674,757	1,456,159	218,598
Student transportation	1,947,425	1,956,735	1,203,742	752,993
Land/site acquisitions	845,000	845,000	-	845,000
Land improvements/acquisition	850,000	850,000	55,547	794,453
Site improvement	967,600	967,600	567,455	400,145
Contingency	1,100,000	1,100,000	-	1,100,000
Total expenditures	19,698,948	19,784,533	14,271,769	5,512,764
Excess (deficit) of revenues over (under) expenditures	(6,850,490)	(6,850,490)	294,541	7,145,031
Other financing sources (uses)				
Proceeds from sale of fixed assets	6,000	6,000	1,278	(4,722)
Operating transfers in	-	-	-	-
Operating transfers out	(25,385)	(25,385)	(75,820)	(50,435)
Total other financing sources (uses)	(19,385)	(19,385)	(74,542)	(55,157)
Net change in fund balance	(6,869,875)	(6,869,875)	219,999	7,089,874
Fund balance, July 1, 2018	6,869,875	6,869,875	6,869,875	-
Fund balance, June 30, 2019	$ -	$ -	$ 7,089,874	$ 7,089,874

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amount			Variance with Final Budget Favorable
REVENUES	Original	Final	Actual	(Unfavorable)
From local sources:				
Earnings on investments	$ -	$ -	$ 1,680	$ 1,680
Other local revenues	-	-	4,657	4,657
Intergovernmental - state	951,440	1,099,275	1,159,582	60,307
Intergovernmental - federal	1,425,707	1,429,245	1,374,020	(55,225)
Total revenues	2,377,147	2,528,520	2,539,939	11,419
EXPENDITURES				
Current:				
Instruction	1,493,840	1,532,077	1,448,770	83,307
Support services:				
Student	63,742	63,742	60,239	3,503
Instructional staff	512,763	623,289	669,093	(45,804)
District administration	20,000	20,000	20,000	-
School administration	18,033	18,033	17,912	121
Business	50,770	50,770	135,750	(84,980)
Student transportation	79,134	79,134	72,133	7,001
Community services	164,250	166,860	170,621	(3,761)
Total expenditures	2,402,532	2,553,905	2,594,518	(40,613)
Excess (deficit) of revenues over (under) expenditures	(25,385)	(25,385)	(54,579)	(29,194)
Other financing sources (uses)				
Operating transfers in	25,385	25,385	25,385	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	25,385	25,385	25,385	-
Net change in fund balance	-	-	(29,194)	(29,194)
Fund balance, July 1, 2018	-	-	29,903	29,903
Fund balance, June 30, 2019	$ -	$ -	$ 709	$ 709

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – CAPITAL OUTLAY
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amount			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES				
Earnings on investments	$ 1,500	$ 1,500	$ 37,136	$ 35,636
Intergovernmental - state	180,260	180,795	180,795	-
Total revenues	181,760	182,295	217,931	35,636
EXPENDITURES				
Building improvements	1,365,928	1,366,463	-	1,366,463
Debt service	-	-	-	-
Total expenditures	1,365,928	1,366,463	-	1,366,463
Excess (deficit) of revenues over (under) expenditures	(1,184,168)	(1,184,168)	217,931	1,402,099
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(1,184,168)	(1,184,168)	217,931	1,402,099
Fund balance, July 1, 2018	1,184,168	1,184,168	1,189,584	5,416
Fund balance, June 30, 2019	$ -	$ -	$ 1,407,515	$ 1,407,515

TRIGG COUNTY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET AND ACTUAL
JUNE 30, 2019

NOTE 1 – BUDGETARY INFORMATION

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary accounting method and GAAP are:

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

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

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other local, state and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General, Food Service and Day Care Funds in the fund financial statements and the budgetary comparison supplementary information.

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 prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

TRIGG COUNTY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET AND ACTUAL
JUNE 30, 2019

NOTE 1 – BUDGETARY INFORMATION, continued

Reconciliation to the General Fund

Revenues - budgetary basis	$ 14,566,310
On-behalf payments	5,140,888
Total revenues - modified cash basis	$ 19,707,198
Expenditures - budgetary basis	$ 14,271,769
On-behalf payments	5,140,888
Total expenditures - modified cash basis	$ 19,412,657

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS
County Employees Retirement System (CERS)

Schedule of District's Proportionate Share of Pension Liability - CERS

As of June 30	2019	2018	2017	2016	2015
District's proportion of net pension liability	0.110455%	0.112559%	0.118080%	0.118700%	0.120490%
District's proportionate share of net pension liability	$ 6,727,046	$ 6,588,425	$ 5,813,816	$ 5,110,817	$ 3,996,200
District's covered-employee payroll	$ 2,774,264	$ 2,768,781	$ 2,339,009	$ 2,530,114	$ 2,738,235
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	242.48%	237.95%	248.56%	202.00%	145.94%
Plan fiduciary net position as a percentage of total pension liability**	54.54%	53.30%	55.50%	59.97%	68.80%

Schedule of District's Contributions - CERS

For the year ended June 30	2019	2018	2017	2016	2015
Contractually required contribution	$ 433,320	$ 401,714	$ 517,202	$ 399,002	$ 447,028
Contributions in relation to the contractually required contribution	433,320	401,714	517,202	399,002	447,028
Contribution deficiency	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 2,671,513	$ 2,774,264	$ 2,768,781	$ 2,339,009	$ 2,530,114
Contributions as a percentage of covered-employee payroll	16.22%	14.48%	18.68%	17.06%	17.67%

** "Plan" refers to entire CERS Multi-employer cost sharing plan, not individual employers. Information provided by "Plan" actuary.

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
County Employees Retirement System (CERS)

Changes in benefit terms

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

2018: No changes in benefit terms

2017: No changes in benefit terms

2016: No changes in benefit terms

Changes in assumptions

2018: No changes since 2017

2017: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate was decreased from 7.5% to 6.25%
- The assumed rate of inflation was reduced from 3.25% to 2.30%
- Payroll growth assumption was reduced from 4.0% to 3.05%

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Kentucky Retirement Systems (KTRS)

Schedule of District's Proportionate Share of Pension Liability - KTRS

As of June 30	2019	2018	2017	2016	2015
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of net pension liability	$ -	$ -	$ -	$ -	$ -
State's proportionate share of net pension liability associated with the District	$ 37,922,617	$ 78,024,382	$ 87,942,182	$ 70,316,569	$ 60,006,370
District's covered-employee payroll	$ 9,212,909	$ 9,111,483	$ 9,163,901	$ 8,993,005	$ 8,963,899
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability**	59.30%	39.83%	35.22%	42.49%	45.59%

Schedule of District's Contributions - KTRS

For the year ended June 30	2019	2018	2017	2016	2015
Contractually required contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 9,206,733	$ 9,212,909	$ 9,111,483	$ 9,163,901	$ 8,993,005
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

** "Plan" refers to entire CERS Multi-employer cost sharing plan, not individual employers. Information provided by "Plan" actuary.

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Kentucky Retirement Systems (KTRS)

Changes in benefit terms

None

Changes in assumptions

2018: Calculations of single equivalent interest rate (SEIR) resulted in an assumption change from 4.49% to 7.5%

2017: Calculations of single equivalent interest rate (SEIR) resulted in an assumption change from 4.20% to 4.49%

2016: Rate of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the assumed salary scale, price inflation and wage inflation were adjusted to reflect a decrease. In addition, the calculation of the single equivalent interest rate (SEIR) resulted in an assumption change from 4.88% to 4.20%

2015: Calculation of SEIR resulted in an assumption change from 5.23% to 4.88%

2014: Calculation of SEIR resulted in an assumption change from 5.16% to 5.23%

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS
County Employees Retirement System (CERS)

As of June 30	2019	2018
District's proportion of net OPEB liability (asset)	0.110451%	0.112559%
District's proportionate share of net OPEB liability (asset)	$ 1,961,036	$ 2,262,821
District's covered - employee payroll	$ 2,774,264	$ 2,768,781
District's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll	70.69%	81.73%
Plan fiduciary net position as a percentage of total OPEB liability**	57.62%	52.40%

Schedule of District's Contributions - CERS

For the year ended June 30	2019	2018
Contractually required OPEB contribution	$ 140,521	$ 130,390
Contributions in relation to the contractually required contribution	140,521	130,390
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 2,671,513	$ 2,774,264
Contributions as a percentage of covered-employee payroll	5.26%	4.70%

**"Plan" refers to entire Multi-employer cost sharing plan, not individual employers. Information provided by "Plan" actuary

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS
County Employees Retirement System (CERS)

Change in benefit terms

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

2018: No changes in benefit terms

2017: No changes in benefit terms

Changes in assumptions

2018: Single discount rate changed from 5.84% to 5.85%

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Kentucky Teachers' Retirement System (KTRS) – Medical Insurance Fund

Schedule of District's Proportionate Share of Net OPEB Liability - KTRS

As of June 30	2019	2018
District's proportion of collective net OPEB liability (asset)	0.150133%	0.153156%
District's proportionate share of collective net OPEB liability (asset)	$ 5,209,000	$ 5,461,000
State's proportionate share of collective net OPEB liability (asset) associated with the District	4,489,000	4,461,000
Total	$ 9,698,000	$ 9,922,000
District's covered-employee payroll	$ 8,766,535	$ 8,616,986
District's proportionate share of collective net OPEB liability (asset) as a percentage of its covered-employee payroll	59.42%	63.37%
Plan fiduciary net position as a percentage of total OPEB liability**	25.50%	21.18%

Schedule of District's Contributions - KTRS

For the year ended June 30	2019	2018
Contractually required contribution	$ 262,552	$ 263,040
Contributions in relation to the contractually required contribution	262,552	263,040
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 8,753,084	$ 8,766,535
Contributions as a percentage of covered-employee payroll	3.00%	3.00%

**"Plan" refers to entire Multi-employer cost sharing plan, not individual employers. Information provided by "Plan" actuary

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Kentucky Teachers' Retirement System (KTRS) – Life Insurance Fund

Schedule of District's Proportionate Share of Net OPEB Liability - KTRS

As of June 30	2019	2018
District's proportion of collective net OPEB liability (asset)	0.000000%	0.000000%
District's proportionate share of collective net OPEB liability (asset)	$ -	$ -
State's proportionate share of collective net OPEB liability (asset) associated with the District	77,000	60,000
Total	$ 77,000	$ 60,000
District's covered-employee payroll	$ 8,766,535	$ 8,616,986
District's proportionate share of collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability**	75.00%	79.99%

Schedule of District's Contributions - KTRS

For the year ended June 30	2019	2018
Contractually required contribution	$ -	$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 8,753,084	$ 8,766,535
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

**"Plan" refers to entire Multi-employer cost sharing plan, not individual employers. Information provided by "Plan" actuary

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY AND SCHEDULE OF DISTRICT'S CONTRIBUTIONS

Medical insurance fund:

Changes in benefit terms

2018: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retire prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the cost of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes in assumptions

None

Life insurance fund:

Changes in benefit terms

None

Changes in assumptions

None

OTHER SUPPLEMENTARY INFORMATION

TRIGG COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	FSPK Fund	District Activity Funds	Debt Service Fund	Construction Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES					
Cash and cash equivalents	$ 506,163	$ 31,577	$ -	$ 918,656	$ 1,456,396
Total assets and resources	$ 506,163	$ 31,577	$ -	$ 918,656	$ 1,456,396
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Interfund payable	-	-	39,276	-	39,276
Total liabilities	-	-	39,276	-	39,276
Fund Balances					
Nonspendable	-	-	-	-	-
Spendable:					
Restricted	506,163	31,577	(39,276)	918,656	1,417,120
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	506,163	31,577	(39,276)	918,656	1,417,120
Total liabilities and fund balances	$ 506,163	$ 31,577	$ -	$ 918,656	$ 1,456,396

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

	FSPK Fund	District Activity Funds	Debt Service Fund	Construction Fund	Total Nonmajor Governmental Funds
REVENUES					
From local sources:					
Taxes					
Property	$ 544,757	$ -	$ -	$ -	$ 544,757
Other revenue	-	66,129	-	-	66,129
Earnings on investments	26,069	930	-	1,197	28,196
Intergovernmental - state	229,158	-	256,313	-	485,471
Total revenues	799,984	67,059	256,313	1,197	1,124,553
EXPENDITURES					
Property	-	6,000	-	-	6,000
Building improvements	-	-	-	21,457	21,457
Land improvements	-	-	-	166,531	166,531
Student support	-	29,482	-	-	29,482
Debt service	-	-	977,591	-	977,591
Total expenditures	-	35,482	977,591	187,988	1,201,061
Excess (deficit) of revenues over (under) expenditures	799,984	31,577	(721,278)	(186,791)	(76,508)
Other financing sources (uses)					
Operating transfers in	-	-	721,278	50,435	771,713
Operating transfers out	(721,278)	-	-	-	(721,278)
Total other financing sources (uses)	(721,278)	-	721,278	50,435	50,435
Net change in fund balances	78,706	31,577	-	(136,356)	(26,073)
Fund balances, July 1, 2018	427,457	-	(39,276)	1,055,012	1,443,193
Fund balances, June 30, 2019	$ 506,163	$ 31,577	$ (39,276)	$ 918,656	$ 1,417,120

TRIGG COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Cash Balance July 1, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2019
TRIGG COUNTY HIGH SCHOOL:							
Athletics							
General	$ -	$ 17,483	$ 17,483	$ -	$ -	$ -	$ -
Gate Change	-	4,500	4,500	-	-	-	-
KHSCA - Coaches	-	630	630	-	-	-	-
Baseball	-	3,326	3,326	-	-	-	-
Boys' Basketball	-	6,462	6,462	-	-	-	-
KME Christmas	-	6,000	6,000	-	-	-	-
Football	-	21,105	21,105	-	-	-	-
Girls' Basketball	-	6,108	6,108	-	-	-	-
Cheerleading	-	6,770	6,770	-	-	-	-
Fishing	856	8,344	7,879	1,321	-	-	1,321
Golf	-	5,501	5,501	-	-	-	-
Cross Country	-	3,833	3,833	-	-	-	-
Power lifting	331	3,777	4,108	-	-	-	-
Soccer (Boys)	-	3,554	3,345	209	-	-	209
Soccer (Girls)	418	4,335	4,753	-	-	-	-
Softball	-	3,124	3,124	-	-	-	-
Track	46	11,083	11,129	-	-	-	-
Volleyball	-	6,432	6,432	-	-	-	-
Wrestling	-	3,496	3,496	-	-	-	-
5th District Tournament	-	1,309	1,309	-	-	-	-
ATH-Region	-	-	-	-	-	-	-
Fundraising Boys' Basketball	8,294	5,743	13,950	87	-	-	87
Boys' Little League	-	-	-	-	-	-	-
Lady Wildcat Basketball League	-	-	-	-	-	-	-
Fundraising Girls' Basketball	-	5,327	5,327	-	-	-	-
Fundraising Cross Country	1,000	6,464	7,464	-	-	-	-
Fundraising Softball	897	20,029	20,926	-	-	-	-
Fundraising Volleyball	2,398	4,518	6,264	652	-	-	652
Fundraising Boys' Soccer	2,541	5,307	5,669	2,179	-	-	2,179
Fundraising Girls' Soccer	1,074	9,416	5,421	5,069	-	-	5,069

Continued

TRIGG COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Cash Balance July 1, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2019
TRIGG COUNTY HIGH SCHOOL, continued							
Senior Class	-	4,308	4,308	-	-	-	-
Clubs							
Academic	-	1,298	1,298	-	-	-	-
Art	248	2,371	1,867	752	-	-	752
Beta	-	2,224	2,224	-	-	-	-
DECA	-	21,755	21,755	-	-	-	-
Drama	1,348	2,228	2,749	827	-	-	827
Environmental Science	107	-	-	107	-	-	107
Travel	171	-	171	-	-	-	-
FFA	-	36,229	36,229	-	-	-	-
FCCLA	-	1,576	1,383	193	-	-	193
Region FCCLA	567	786	1,122	231	-	-	231
Foreign Language	597	570	499	668	-	-	668
Gifted & Talented	161	13,539	12,964	736	-	-	736
HOSA	-	10,382	9,900	482	-	-	482
Interact	499	1,078	1,129	448	-	-	448
NHS	309	970	897	382	-	-	382
Relay for Life	-	-	-	-	-	-	-
Sources of Strength	-	2,808	2,393	415	-	-	415
Student Council	574	2	-	576	-	-	576
Black Hole	792	1,251	1,069	974	-	-	974
FCA	-	2,265	2,235	30	-	-	30
FCA Disaster Relief	7,766	4,786	12,026	526	-	-	526
TSA/STLP	420	5,809	5,649	580	-	-	580
Web Design	894	563	1,090	367	-	-	367
Y Club	75	520	400	195	-	-	195
Youth Leadership	1,204	535	726	1,013	-	-	1,013

Continued

TRIGG COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Cash Balance July 1, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2019
TRIGG COUNTY HIGH SCHOOL, continued							
Departments							
Agriculture	81	4,273	4,334	20	-	-	20
Ag Greenhouse	7,701	6,826	6,588	7,939	-	-	7,939
Annual	13,271	10,526	17,455	6,342	-	-	6,342
Art	-	1,191	1,191	-	-	-	-
Art & Humanities	1,456	40	1,476	20	-	-	20
Band	2,728	78,217	74,306	6,639	-	-	6,639
Business	1,807	1,335	3,044	98	-	-	98
CDA	-	-	-	-	-	-	-
Help Desk	2,460	761	3,091	130	-	-	130
Technology	-	-	-	-	-	-	-
Drama	195	-	195	-	-	-	-
Digital Lit/Fusion	366	-	359	7	-	-	7
English	62	36	43	55	-	-	55
Guidance	91	935	1,026	-	-	-	-
Engineering	5,973	2,805	7,862	916	-	-	916
FACS - Advanced Foods	-	2,028	1,923	105	-	-	105
FACS - Advanced Parenting	152	835	932	55	-	-	55
FACS - Life Skills	242	700	909	33	-	-	33
FACS - Fashion & Interior	-	307	307	-	-	-	-
FACS - Money Skills	23	108	131	-	-	-	-
FMD	-	753	753	-	-	-	-
Health Sciences	41	1,873	1,912	2	-	-	2
P.E. I	658	700	1,358	-	-	-	-
Nurse Fees	1,124	1,214	2,333	5	-	-	5
Math	2,591	1,720	4,297	14	-	-	14
Science	1,839	3,770	5,553	56	-	-	56
Photography	405	25	23	407	-	-	407
School Store	-	8,618	8,589	29	-	-	29
Prom	8,231	3,794	9,260	2,765	-	-	2,765
Special Olympic	347	220	281	286	-	-	286

Continued

TRIGG COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Cash Balance July 1, 2018	Receipts	Disbursements	Cash Balance June 30, 2019	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2019
TRIGG COUNTY HIGH SCHOOL, continued							
Departments, continued							
Chromebook	201	19,585	19,664	122	-	-	122
General Activity Fund	-	3,418	3,273	145	-	-	145
General Academic	-	9,199	9,105	94	-	-	94
General Vending							
Curation	-	-	-	-	-	-	-
Teacher	14	1,981	1,995	-	-	-	-
Celebrate My Drive	-	-	-	-	-	-	-
Student	-	2,642	2,642	-	-	-	-
St Flex	28	7,091	7,119	-	-	-	-
Parking Permit	-	750	750	-	-	-	-
Makerspace	-	10,810	10,810	-	-	-	-
Student Rotary	-	5,689	5,565	124	-	-	124
Textbook Rental	1,620	-	1,620	-	-	-	-
	$ 87,294	$ 496,604	$ 538,471	$ 45,427	$ -	$ -	$ 45,427
Less: Interfund Transfers	-	(31,944)	(31,944)	-	-	-	-
Trigg County High School	87,294	464,660	506,527	45,427	-	-	45,427
Trigg County Middle School	38,636	126,458	113,822	51,272	-	-	51,272
Trigg County Intermediate School	17,905	23,280	25,355	15,830	-	-	15,830
Trigg County Primary School	21,967	19,246	19,427	21,786	-	-	21,786
Totals	$ 165,802	$ 633,644	$ 665,131	$ 134,315	$ -	$ -	$ 134,315

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
U. S. Department of Education				
Passed through State Department of Education:				
Special Education Cluster				
Special Education Grants to States	84.027	3810002-18		$ 451,506
Special Education Preschool Grants	84.173	3800002-18		39,086
Total Special Education Cluster				490,592
Title I Grants to Local Educational Agencies	84.010	3100002-18	$ 455,064	
	84.010	3100002-17	102,141	
	84.010	3100202-17	118,916	676,121
Career and Technical Education - Basic Grants to States	84.048	3710002-18	25,995	
	84.048	3710002-17	993	26,988
Rural Education	84.358	3140002-18	22,814	
	84.358	3140002-17	21,780	44,594
Supporting Effective Insturction State Grants	84.367	3230002-18	48,625	
		3230002-17	39,885	88,510
Student Support and Academic Enrichment Program	84.424	3420002-18	8,346	
	84.424	3420002-17	10,265	18,611
Other U. S. Department of Education Programs:				
Rehabilitation Services - Vocational				
Rehabilitation Grants to States	85.126	Direct		28,604
Total U. S. Department of Education				1,374,020
U. S. Department of Agriculture				
Passed through State Department of Education:				
Child Nutrition Cluster				
School Breakfast Program	10.553	7760005-19	175,270	
	10.553	7760005-18	44,106	219,376
National School Lunch Program	10.555	7750002-19	511,521	
	10.555	7750002-18	127,194	638,715
Total Child Nutrition Cluster				858,091
Other U. S. Department of Agriculture Programs:				
Fresh Fruit and Vegetable Program	10.582	Direct		56,155
Total U. S. Department of Agriculture				914,246
Total Expenditures of Federal Awards				$ 2,288,262

See notes to Schedule of Expenditures of Federal Awards

TRIGG COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

NOTE 3 – SUBRECIPIENTS

There were no sub recipients during the fiscal year.

NOTE 4 – INDIRECT COST RATE

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

NOTE 5 – COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the USDA food commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE

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

Kentucky State Committee
for School District Audits
Members of the Board of Education
Trigg County School District
Cadiz, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract,* the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Trigg County School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

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 material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements.*

We noted certain matters that we reported to Management of Trigg County School District in a separate report dated November 8, 2019.

Purpose of this Report

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

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 8, 2019

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

Kentucky State Committee
for School District Audits
Members of the Board of Education
Trigg County School District
Cadiz, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Trigg County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Trigg County School District's major federal programs for the year ended June 30, 2019. Trigg County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *the Independent Auditor's Contract*. Those standards and 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 Trigg County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 8, 2019

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

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes _X_ no

Significant deficiency(ies) identified? ___ yes _X__ none reported

Noncompliance material to financial statements noted? ___ yes _X_ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes _X_ no

Significant deficiency(ies) identified? ____yes _X__none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) ___ yes _X_ no

Major federal programs:

Program Title	CFDA Number
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

Dollar threshold to distinguish between type A and type B programs: $750,000

Auditee qualified as a low-risk auditee? _X__ yes ____ no

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

Findings – Financial Statements Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None reported

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

None

MANAGEMENT COMMENTS FOR AUDIT

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November 8, 2019

Members of the Board of Education
Trigg County School District
Cadiz, Kentucky

In planning and performing our audit of the financial statements of Trigg County School District (the "District") for the year ended June 30, 2019, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 8, 2019, contains our report on the District's internal control. This letter does not affect our report dated November 8, 2019 on the financial statements of Trigg County School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with District personnel and their implementation is currently being reviewed. We will be pleased to discuss this in further detail at your convenience, to perform any additional study of this matter or to assist you in implementing the recommendations.

We performed a follow up on the prior year findings with the status of these findings on pages 103-104.

This report is intended solely for the information and use of management, the members of the Trigg County Board of Education, others within the District and the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

TRIGG COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019

TRIGG COUNTY INTERMEDIATE SCHOOL

I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds ("Redbook") sets accounting guidelines for an inactive activity account if there has been no activity during the preceding 12 months.

Condition – 3 accounts had no activity during the preceding 12 months and are considered inactive.

Cause – Lack of implementation of Redbook policy.

Effect – Noncompliance with Accounting Procedures for Kentucky School Activity Funds ("Redbook").

Recommendation – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts' funds shall be transferred to the school activity general account and used for the general benefit of all students.

Views of Responsible Officials – Inactive accounts will be transferred to general school activity account. Accounts with no activity for 12 months will be routinely monitored and transferred accordingly.

TRIGG COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2019

TRIGG COUNTY MIDDLE SCHOOL

I. **Condition** – The check number was not noted on paid invoices.

Recommendation – Redbook procedures require that the check number and date paid shall be noted on the invoice.

Current status – The finding was not repeated for the fiscal year ended June 30, 2019.

II. **Condition** – Form F-SA-1, Requisition and Report of Ticket Sales, was not properly completed and initialed by two people – ticket seller and ticket taker.

Recommendation – Form F-SA-1, Requisition and Report of Ticket Sales is to be used and properly completed and initialed by two people, the ticket taker and the ticket seller.

Current status – The finding was not repeated for the fiscal year ended June 30, 2019.

TRIGG COUNTY HIGH SCHOOL

I. **Condition** – Form F-SA-17, Sales from Concessions/Bookstore, were not used each time money was collected from these activities.

Recommendation – Sales from Concessions/Bookstore forms are to be used each time money is collected from these activities and turned in with the money to the school treasurer and a copy kept with the inventory control worksheet.

Current status – The finding was not repeated for the fiscal year ended June 30, 2019.

II. **Condition** – Form F-SA-6, Multiple Receipt Form, was not signed by student or properly completed.

Recommendation – The Multiple Receipt form must be completed when teachers, sponsors or students collect money, and students third grade and above must sign the Multiple Receipt Form.

Current status – The finding was not repeated for the fiscal year ended June 30, 2019.

III. **Condition** – Form F-SA-5, Inventory Control Worksheet, was not properly completed for Concessions or Bookstore.

Recommendation – Any stocked items held for resale require the use of the Inventory Control Worksheet detailing beginning and ending inventories, quantities, descriptions, values, units of measure and unit selling price.

TRIGG COUNTY HIGH SCHOOL, continued

Current status – The finding was repeated for Concessions for the fiscal year ended June 30, 2019.

Views of Responsible Officials – An in-house Redbook Training has been conducted for coaches and club sponsors to attend. During this training, we specifically discussed this finding and the steps needed to eliminate it. The High School Bookkeeper has started to hold concession orders until the monthly report has been turned in to enforce this requirement.