

TRIGG COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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**TRIGG COUNTY SCHOOL DISTRICT
JUNE 30, 2020**

BOARD OF EDUCATION

JoAlyce Harper, Chairperson
Theresa Allen, Member
Charlene Sheehan, Member
Gayle Rufli, Member
Clara Beth Hyde, Member

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Bill Thorpe, Superintendent
Holly Greene, CPA, Finance Officer

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ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA
MEREDITH D. MORRIS, CPA
KELSEY M. COX, CPA



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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2020, 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.

Change in Accounting Principle

As described in Note 17 to the financial statements, during the year ended June 30, 2020, the Trigg County School District adopted new accounting guidance, GASB No. 84 *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, combining agency funds financial statement 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 agency funds financial statement, 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 agency funds financial statement, 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 December 9, 2020, 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 the 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

December 9, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

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, 2020. 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 \$18,760,273, as compared with the beginning cash balance of \$10,122,170. The ending cash and investments balance consists of General Fund of \$7,469,547, Special Revenue \$38,565, Construction Fund \$10,660,296, Other Governmental Funds \$335,103, Food Service Fund \$229,597 and Day Care Fund \$27,165.
- Total government-wide net position decreased by \$(74,369), which includes a prior period adjustment in the amount of \$134,315 and net loss of \$(208,684) from current year operations for the fiscal year ended June 30, 2020. Total long-term obligations had a net increase of \$12,069,787, while the unrestricted net assets decreased (\$318,798) and restricted assets increased by \$6,213,454.
- The General Fund had \$20,392,642 in revenue, which primarily consisted of the state program (SEEK) funds, property, utilities, motor vehicle in lieu of taxes and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues increased \$685,444 in comparison to prior year of \$19,707,198. Excluding interfund transfers, there were General Fund expenditures totaling \$19,801,588. This is an increase of \$388,931 compared to \$19,412,657 in General Fund expenditures for the prior year.
- The financial statements reflect a total of \$5,835,982 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 of the District’s assets and deferred outflows of resources and liabilities and deferred inflows. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

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 two 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 School Age Childcare. 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.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

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 71.

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 plus deferred outflows of resources were greater than liabilities plus deferred inflows of resources by \$10,859,720 at the close of the most recent fiscal year.

Long-term liabilities increased primarily due to a net decrease of \$338,386 in net pension liability and net other postemployment benefits (OPEB) liability and an increase of \$13,315,000 in bonds payable. This factor is outside the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it is the pension systems that collect, hold and distribute pensions to District employees, not the District. A significant portion of the District's net position, \$7,931,089, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; 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. An additional portion of the District's net position \$9,311,518, represents resources subject to external restrictions on how they may be used.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

Following is a summary of the District’s government-wide net position as of June 30, 2020 and 2019:

Net Position

	Governmental Activities		Business-type Activities		District Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current assets and other assets	\$ 18,687,941	\$ 10,044,182	\$ 280,711	\$ 182,852	\$ 18,968,652	\$ 10,227,034
Capital assets	23,183,492	16,480,369	853,752	888,180	24,037,244	17,368,549
Total assets	41,871,433	26,524,551	1,134,463	1,071,032	43,005,896	27,595,583
Deferred outflows of resources	2,379,733	2,092,026	410,932	397,673	2,790,665	2,489,699
LIABILITIES						
Current liabilities	3,296,959	660,194	13,849	-	3,310,808	660,194
Long-term debt	27,630,353	15,591,715	1,471,043	1,439,894	29,101,396	17,031,609
Total liabilities	30,927,312	16,251,909	1,484,892	1,439,894	32,412,204	17,691,803
Deferred inflows of resources	2,320,394	1,290,553	204,243	168,837	2,524,637	1,459,390
NET POSITION						
Investment in capital assets net of related debt	7,077,337	13,011,934	853,752	888,180	7,931,089	13,900,114
Restricted	9,311,518	3,098,064	-	-	9,311,518	3,098,064
Unrestricted	(5,385,395)	(5,035,883)	(997,492)	(1,028,206)	(6,382,887)	(6,064,089)
Total net position	\$ 11,003,460	\$ 11,074,115	\$ (143,740)	\$ (140,026)	\$ 10,859,720	\$ 10,934,089

The net pension liability (NPL) and the other postemployment benefits (OPEB) are the largest liabilities reported by the District as of June 30, 2020. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District’s actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

GASB 68 (pension) and GASB 75 (OPEB) require the net pension liability and the net OPEB liability to equal the District’s proportionate share of each plan’s collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees’ past service.
2. Minus plan assets available to pay these benefits.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for-benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. Changes in benefits, contribution rates and return on investments affect the balance of these liabilities but are outside the control of the local government.

In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

The decrease for 2020 over 2019 in net position of governmental activities is largely due to decreased state funding and changes in pension and post employment liability accruals. 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 of 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 \$290,100. 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 decrease in business-type activities net position is due mainly to current year changes in pension liability charges.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

Following is a summary schedule of changes in the District’s net position for the fiscal years ended June 30, 2020 and 2019:

Changes in Net Position

	Governmental Activities		Business-type Activities		District Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues						
Charges for services	\$ -	\$ -	\$ 216,378	\$ 274,411	\$ 216,378	\$ 274,411
Operating grants and contributions	7,949,544	7,674,488	1,139,859	914,246	9,089,403	8,588,734
Capital grants and contributions	290,100	256,313	-	-	290,100	256,313
General revenues						
Property taxes	4,934,523	4,681,985	-	-	4,934,523	4,681,985
Other taxes	3,179,442	3,176,877	-	-	3,179,442	3,176,877
State aid	6,851,311	7,277,879	155,822	133,909	7,007,133	7,411,788
Investment earnings	363,946	253,242	1,132	2,225	365,078	255,467
Other	1,299,930	270,115	-	4,393	1,299,930	274,508
Total revenues	24,868,796	23,590,899	1,513,191	1,329,184	26,381,987	24,920,083
EXPENSES						
Instruction	14,788,527	14,131,802	-	-	14,788,527	14,131,802
Support services						
Student	1,220,840	1,115,994	-	-	1,220,840	1,115,994
Instructional staff	1,387,933	1,355,053	-	-	1,387,933	1,355,053
District administration	981,645	879,006	-	-	981,645	879,006
School administration	1,349,774	1,208,636	-	-	1,349,774	1,208,636
Business	718,073	869,908	-	-	718,073	869,908
Plant operations and maintenance	1,763,868	1,631,002	-	-	1,763,868	1,631,002
Student transportation	1,400,723	1,391,477	-	-	1,400,723	1,391,477
Community services activities	169,022	173,763	-	-	169,022	173,763
Other non-instructional	11,085	-	-	-	11,085	-
Day care operations	21,150	-	-	-	21,150	-
Food service operations	1,901	-	-	-	1,901	-
Interest on long-term debt	151,932	128,762	-	-	151,932	128,762
Other	1,107,293	104,654	-	-	1,107,293	104,654
Food service	-	-	1,307,792	1,172,939	1,307,792	1,172,939
Day care	-	-	209,113	224,183	209,113	224,183
Total expenses	25,073,766	22,990,057	1,516,905	1,397,122	26,590,671	24,387,179
Change in net position before transfers	(204,970)	600,842	(3,714)	(67,938)	(208,684)	532,904
Transfers in (out)	-	-	-	-	-	-
Change in net position after transfers	\$ (204,970)	\$ 600,842	\$ (3,714)	\$ (67,938)	\$ (208,684)	\$ 532,904

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

Governmental Activities

The net position of the District’s governmental activities decreased by \$(70,655) (includes \$134,315 from implementation of GASB 84). Net position reflects a positive balance of \$11,003,460. The District has developed a strategic plan to best utilize the resources available and to preserve those resources as long as possible.

Expenses include \$357,180 from pension and OPEB that is required to be recorded per GASB 68 and GASB 75.

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 \$16,321,161, an increase of \$6,405,943 in comparison with the 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 as of June 30, 2020 and 2019.

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. In addition to the Special Revenue (Grant) Fund, the District has the Special Revenue District Activity Fund and the Special Revenue Student Activity Fund which includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements.

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 property tax equivalent. 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 bond obligations.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

Following is a summary of fund balances as of June 30, 2020 and 2019:

Governmental Funds	2020	2019	Increase (Decrease)
General Fund	\$ 7,289,363	\$ 7,089,874	\$ 199,489
Special Revenue Fund	40,397	709	39,688
Building Fund	142,387	506,163	(363,776)
Capital Outlay	8,373	1,407,515	(1,399,142)
District Activity Fund	36,875	31,577	5,298
School Activity Fund	147,468	-	147,468
Debt Service Fund	(39,276)	(39,276)	-
Construction Fund	8,695,574	918,656	7,776,918
Total governmental funds	\$ 16,321,161	\$ 9,915,218	\$ 6,405,943

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 was \$3,717,413 while total fund balance reached \$7,289,363. 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 18.77% of total General Fund expenditures, while total fund balance represents 36.81% of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by \$199,489. 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 \$21,058,982 increased \$1,350,506 while expenditures and transfers out totaling \$20,859,493 increased \$1,371,016.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

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 2.00% contingency. The District adopted a General Fund budget with a contingency of 6.18%. 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 \$5,402,727 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, 2020, excluding interfund transfers, beginning balances and on-behalf payments, were \$14,989,915; compared to the total budgeted revenues of \$12,977,540.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2020, excluding interfund transfers and on-behalf payments, were \$14,398,861; compared to the total budgeted expenditures of \$16,499,854.

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.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2020, the District had \$24,037,244 invested in capital assets net of depreciation; historical costs totaled \$45,817,127 with accumulated depreciation totaling \$21,779,883. These assets include school, athletic and support facilities, as well as technology, food service and other equipment. Funds in the amount of \$7,748,925 were expended on acquisition and improvements during the year. Depreciation charged to expense during the year totaled \$1,080,321, 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, 2020 and 2019:

Net Capital Assets

	Governmental Activities		Business-type Activities		District Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 300,850	\$ 300,850	\$ -	\$ -	\$ 300,850	\$ 300,850
Construction in progress	8,029,884	701,594	-	-	8,029,884	701,594
Buildings and improvements	13,132,242	13,880,632	820,992	849,799	13,953,234	14,730,431
Land improvements	343,468	183,293	-	-	343,468	183,293
Technology equipment	79,983	121,294	-	-	79,983	121,294
Vehicles	1,111,530	1,116,134	-	-	1,111,530	1,116,134
General equipment	185,535	176,572	32,760	38,381	218,295	214,953
Total	<u>\$23,183,492</u>	<u>\$16,480,369</u>	<u>\$ 853,752</u>	<u>\$ 888,180</u>	<u>\$24,037,244</u>	<u>\$17,368,549</u>

Long-term Debt – The District’s long-term general obligation bonds outstanding at June 30, 2020 were \$16,290,000. 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 \$4,684,798 of the bonds leaving the District to pay \$11,605,202. The liability for compensated absences increased for the fiscal year.

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.

**TRIGG COUNTY SCHOOL DISTRICT – CADIZ, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020**

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, 2020**

	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,033,511	\$ 256,762	\$ 16,290,273
Investments	2,470,000	-	2,470,000
Accounts receivable			
Taxes	79,272	-	79,272
Other	1,116	-	1,116
Intergovernmental - indirect federal	104,042	-	104,042
Inventory	-	23,949	23,949
Capital assets			
Non-depreciable	8,330,734	-	8,330,734
Depreciable (net)	14,852,758	853,752	15,706,510
Total assets	41,871,433	1,134,463	43,005,896
DEFERRED OUTFLOWS OF RESOURCES			
OPEB	1,079,668	111,033	1,190,701
Pension	1,300,065	299,899	1,599,964
Total deferred outflows of resources	2,379,733	410,932	2,790,665
LIABILITIES			
Accounts payable	2,247,888	13,849	2,261,737
Accrued sick leave payable	16,682	-	16,682
Unearned revenue	102,210	-	102,210
Accrued interest	61,530	-	61,530
Long-term obligations			
Portion due or payable within one year			
Bonds payable	840,000	-	840,000
Compensated absences	28,649	-	28,649
Portion due or payable after one year			
Bonds payable	15,266,155	-	15,266,155
Compensated absences	271,872	4,673	276,545
Net OPEB liability	5,928,529	321,005	6,249,534
Net pension liability	6,163,797	1,145,365	7,309,162
Total liabilities	30,927,312	1,484,892	32,412,204

Continued

TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION, continued
JUNE 30, 2020

	Governmental Activities	Business- type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
OPEB	1,822,297	98,694	1,920,991
Pension	498,097	105,549	603,646
	<u>2,320,394</u>	<u>204,243</u>	<u>2,524,637</u>
Total deferred inflows of resources			
	<u>2,320,394</u>	<u>204,243</u>	<u>2,524,637</u>
NET POSITION			
Invested in capital assets, net of related debt	7,077,337	853,752	7,931,089
Restricted	9,311,518	-	9,311,518
Unrestricted	(5,385,395)	(997,492)	(6,382,887)
	<u>(5,385,395)</u>	<u>(997,492)</u>	<u>(6,382,887)</u>
Total net position	<u>\$ 11,003,460</u>	<u>\$ (143,740)</u>	<u>\$ 10,859,720</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<u>FUNCTIONS/PROGRAMS</u>					
Governmental Activities					
Instruction	\$ 14,788,527	\$ -	\$ 5,505,603	\$ -	\$ (9,282,924)
Support services					
Student	1,220,840	-	410,219	-	(810,621)
Instructional staff	1,387,933	-	765,346	-	(622,587)
District administrative	981,645	-	110,519	-	(871,126)
School administrative	1,349,774	-	425,051	-	(924,723)
Business	718,073	-	130,728	-	(587,345)
Plant operations and maintenance	1,763,868	-	159,289	-	(1,604,579)
Student transportation	1,400,723	-	257,193	-	(1,143,530)
Community service activities	169,022	-	164,592	-	(4,430)
Other non-instructional	11,085	-	-	-	(11,085)
Day care operations	21,150	-	21,004	-	(146)
Food service operation	1,901	-	-	-	(1,901)
Facilities acquisition and construction	1,107,293	-	-	-	(1,107,293)
Interest on long-term debt	151,932	-	-	290,100	138,168
Total governmental activities	25,073,766	-	7,949,544	290,100	(16,834,122)
Business-type Activities					
Food service	1,307,792	72,190	1,139,859	-	(95,743)
Day care services	209,113	144,188	-	-	(64,925)
Total business-type activities	1,516,905	216,378	1,139,859	-	(160,668)
Total activities	\$ 26,590,671	\$ 216,378	\$ 9,089,403	\$ 290,100	\$ (16,994,790)

Continued

TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
Net Revenues (Expenses)	(16,834,121.80)	(160,668.00)	(16,994,789.80)
General Revenues			
Taxes			
Property	4,934,523	-	4,934,523
Motor vehicle	587,501	-	587,501
Utilities	830,476	-	830,476
Other	1,761,465	-	1,761,465
Student activities	14,414	-	14,414
Investment earnings	363,946	1,132	365,078
State aid	6,851,311	155,822	7,007,133
Gain (loss) on sale of fixed assets	808	-	808
Miscellaneous	1,284,708		1,284,708
Total general revenues	16,629,152	156,954	16,786,106
Change in net position before transfers	(204,970)	(3,714)	(208,684)
Transfers in (out)	-	-	-
Change in net position after transfers	(204,970)	(3,714)	(208,684)
Net position, beginning of year	11,074,115	(140,026)	10,934,089
Implementation of GASB 84, see note 17	134,315	-	134,315
Net position, beginning of year, restated	11,208,430	(140,026)	11,068,404
Net position, end of year	<u>\$ 11,003,460</u>	<u>\$ (143,740)</u>	<u>\$ 10,859,720</u>

See accompanying notes to financial statements

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**TRIGG COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	Special Revenue	Construction	Other Governmental	Total
ASSETS					
Cash and cash equivalents	\$ 4,999,547	\$ 38,565	\$ 10,660,296	\$ 335,103	\$ 16,033,511
Investments	2,470,000	-	-	-	2,470,000
Accounts receivable					
Taxes	79,272	-	-	-	79,272
Other	1,116	-	-	-	1,116
Interfund receivable	39,276	-	-	-	39,276
Intergovernmental - indirect federal	-	104,042	-	-	104,042
Total assets	<u>\$ 7,589,211</u>	<u>\$ 142,607</u>	<u>\$ 10,660,296</u>	<u>\$ 335,103</u>	<u>\$ 18,727,217</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 283,166	\$ -	\$ 1,964,722	\$ -	\$ 2,247,888
Accrued sick leave payable	16,682	-	-	-	16,682
Interfund payable	-	-	-	39,276	39,276
Unearned revenue	-	102,210	-	-	102,210
Total liabilities	<u>299,848</u>	<u>102,210</u>	<u>1,964,722</u>	<u>39,276</u>	<u>2,406,056</u>
Fund balances					
Nonspendable	-	-	-	-	-
Spendable:					
Restricted	279,720	40,397	8,695,574	295,827	9,311,518
Committed	2,375,000	-	-	-	2,375,000
Assigned	917,230	-	-	-	917,230
Unassigned	3,717,413	-	-	-	3,717,413
Total fund balances	<u>7,289,363</u>	<u>40,397</u>	<u>8,695,574</u>	<u>295,827</u>	<u>16,321,161</u>
Total liabilities and fund balances	<u>\$ 7,589,211</u>	<u>\$ 142,607</u>	<u>\$ 10,660,296</u>	<u>\$ 335,103</u>	<u>\$ 18,727,217</u>

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, 2020**

Total fund balance per fund financial statements	\$ 16,321,161
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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 \$44,049,070, and the accumulated depreciation is \$20,865,578.	23,183,492
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Pension and other OPEB related items:

Deferred outflows - OPEB	\$ 1,079,668	
Deferred outflows - pension	1,300,065	
Deferred inflows - OPEB	(1,822,297)	
Deferred inflows - pension	(498,097)	
Net OPEB liability	(5,928,529)	
Net pension liability	(6,163,797)	(12,032,987)

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	(16,101,536)	
Bond premium	(4,619)	
Accrued interest on bonds	(61,530)	
Noncurrent portion of accumulated sick leave	(300,521)	(16,468,206)

Net position for governmental activities	\$ 11,003,460
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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, 2020

	General	Special Revenue	Construction	Other Governmental	Total
REVENUES					
From local sources					
Taxes					
Property	\$ 4,373,221	\$ -	\$ -	\$ 561,302	\$ 4,934,523
Motor vehicle	587,501	-	-	-	587,501
Utilities	830,476	-	-	-	830,476
Other	1,761,465	-	-	-	1,761,465
Student activities	14,414	-	-	-	14,414
Earnings on investments	182,723	862	162,228	18,133	363,946
Other local revenues	760,717	5,622	-	518,369	1,284,708
Intergovernmental - state	11,842,479	1,128,536	-	662,010	13,633,025
Intergovernmental - federal	39,646	1,418,281	-	-	1,457,927
Total revenues	<u>20,392,642</u>	<u>2,553,301</u>	<u>162,228</u>	<u>1,759,814</u>	<u>24,867,985</u>
EXPENDITURES					
Current					
Instruction	11,821,625	1,579,066	-	270,417	13,671,108
Support services					
Student	1,143,940	62,341	-	51,529	1,257,810
Instructional staff	657,485	588,164	-	141,029	1,386,678
District administration	801,951	20,000	-	-	821,951
School administration	1,331,507	18,257	-	-	1,349,764
Business	693,492	22,511	-	-	716,003
Plant operations and maintenance	1,694,700	-	-	-	1,694,700
Student transportation	1,336,368	87,231	-	-	1,423,599
Food service operation	1,901	-	-	-	1,901
Community service activities	148	165,732	-	-	165,880
Other non-instructional	-	-	-	11,085	11,085
Day care operations	-	21,150	-	-	21,150
Land improvements/acquisition	318,471	-	16,268	-	334,739
Building improvements	-	-	8,272,911	-	8,272,911
Debt service	-	-	-	782,795	782,795
Total expenditures	<u>19,801,588</u>	<u>2,564,452</u>	<u>8,289,179</u>	<u>1,256,855</u>	<u>31,912,074</u>

Continued

TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS, continued
FOR THE YEAR ENDED JUNE 30, 2020

	General	Special Revenue	Construction	Other Governmental	Total
Excess (deficit) of revenues over (under) expenditures	591,054	(11,151)	(8,126,951)	502,959	(7,044,089)
Other financing sources (uses)					
Bond proceeds	-	-	13,315,000	-	13,315,000
Proceeds from disposal of fixed assets	717	-	-	-	717
Transfers in	665,623	50,839	3,225,523	547,440	4,489,425
Transfers (out)	(1,057,905)	-	(636,654)	(2,794,866)	(4,489,425)
Total other financing sources (uses)	(391,565)	50,839	15,903,869	(2,247,426)	13,315,717
Net change in fund balances	199,489	39,688	7,776,918	(1,744,467)	6,271,628
Fund balances, beginning of year	7,089,874	709	918,656	1,905,979	9,915,218
Implementation of GASB 84, note 17	-	-	-	134,315	134,315
Fund balance, beginning of year, restated	7,089,874	709	918,656	2,040,294	10,049,533
Fund balances, end of year	<u>\$ 7,289,363</u>	<u>\$ 40,397</u>	<u>\$ 8,695,574</u>	<u>\$ 295,827</u>	<u>\$ 16,321,161</u>

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, 2020**

Net change in total fund balances per fund financial statements \$ 6,271,628

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	\$ 7,748,925	
Depreciation expense	<u>(1,045,893)</u>	6,703,032

In the statement of activities, only the gain (loss) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining book value of the asset sold.

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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 proceeds	(13,315,000)	
Discount on bonds	168,464	
Bond payments	<u>515,000</u>	(12,631,536)

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	(357,180)	
Amortization of bond discount	(7,442)	
Amortization of bond premium	1,259	
Increase in accrued interest payable	(46,415)	
Increase in compensated absences	<u>(138,407)</u>	<u>(548,185)</u>

Change in net position of governmental activities		<u>\$ (204,970)</u>
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See accompanying notes to financial statements

PROPRIETARY FUNDS FINANCIAL STATEMENTS

**TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020**

	School Food Service	Day Care	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 229,597	\$ 27,165	\$ 256,762
Inventory	23,949	-	23,949
Total current assets	253,546	27,165	280,711
Noncurrent assets			
Capital assets	1,768,057	-	1,768,057
Less: accumulated depreciation	(914,305)	-	(914,305)
Total noncurrent assets	853,752	-	853,752
Total assets	1,107,298	27,165	1,134,463
DEFERRED OUTFLOWS OF RESOURCES			
OPEB	83,461	27,572	111,033
Pension	235,516	64,383	299,899
Total deferred outflows or resources	318,977	91,955	410,932
LIABILITIES			
Current liabilities			
Accounts payable	13,849	-	13,849
Total current liabilities	13,849	-	13,849
Long-term liabilities			
Compensated absences	4,673	-	4,673
Net OPEB liability	243,562	77,443	321,005
Net pension liability	898,242	247,123	1,145,365
Total long-term liabilities	1,146,477	324,566	1,471,043
Total liabilities	1,160,326	324,566	1,484,892
DEFERRED INFLOWS OF RESOURCES			
OPEB	72,567	26,127	98,694
Pension	81,891	23,658	105,549
Total deferred inflows of resources	154,458	49,785	204,243
NET POSITION			
Invested in capital assets, net of related debt	853,752	-	853,752
Unrestricted	(742,261)	(255,231)	(997,492)
Total net position	\$ 111,491	\$ (255,231)	\$ (143,740)

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, 2020

	School Food Service	Day Care	Total
OPERATING REVENUES			
Lunchroom sales	\$ 72,190	\$ -	\$ 72,190
Child care fees	-	142,401	142,401
Other revenue	-	1,787	1,787
	<hr/>	<hr/>	<hr/>
Total operating revenues	72,190	144,188	216,378
	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES			
Salaries and wages	578,367	205,970	784,337
Materials and supplies	657,805	3,143	660,948
Depreciation	34,428	-	34,428
Contract services	36,249	-	36,249
Other operating expenses	943	-	943
	<hr/>	<hr/>	<hr/>
Total operating expenses	1,307,792	209,113	1,516,905
	<hr/>	<hr/>	<hr/>
Operating income (loss)	(1,235,602)	(64,925)	(1,300,527)
	<hr/>	<hr/>	<hr/>
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	1,076,523	-	1,076,523
Donated commodities	63,336	-	63,336
State grants	10,161	2,506	12,667
State on-behalf payments	106,308	36,847	143,155
Interest income	1,132	-	1,132
	<hr/>	<hr/>	<hr/>
Total non-operating revenues (expenses)	1,257,460	39,353	1,296,813
	<hr/>	<hr/>	<hr/>
Change in net position	21,858	(25,572)	(3,714)
	<hr/>	<hr/>	<hr/>
Net position, beginning of year	89,633	(229,659)	(140,026)
	<hr/>	<hr/>	<hr/>
Net position, end of year	<u>\$ 111,491</u>	<u>\$ (255,231)</u>	<u>\$ (143,740)</u>

See accompanying notes to financial statements

**TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	School Fund Service	Day Care	Total
Cash flows from operating activities			
Cash received from			
Lunchroom sales	\$ 72,190	\$ -	\$ 72,190
Child care fees	-	142,401	142,401
Other activities	-	1,787	1,787
Cash paid to/for			
Employees	(437,683)	(150,203)	(587,886)
Supplies	(592,367)	(3,143)	(595,510)
Other activities	(37,192)	-	(37,192)
Net cash provided (used) by operating activities	(995,052)	(9,158)	(1,004,210)
Cash flows from noncapital financing activities			
Government grants	1,086,685	2,506	1,089,191
Net cash provided (used) by noncapital financing activities	1,086,685	2,506	1,089,191
Cash flows from investing activities			
Receipt of interest income	1,132	-	1,132
Net cash provided (used) by investing activities	1,132	-	1,132
Net increase (decrease) in cash and cash equivalents	92,765	(6,652)	86,113
Cash and cash equivalents, beginning of year	136,832	33,817	170,649
Cash and cash equivalents, end of year	<u>\$ 229,597</u>	<u>\$ 27,165</u>	<u>\$ 256,762</u>

Continued

**TRIGG COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS, continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	School Food Service	Day Care	Total
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$(1,235,602)	\$ (64,925)	\$(1,300,527)
Adjustments to reconcile net operating revenues to net cash from operating activities			
Depreciation	34,428	-	34,428
Donated commodities	63,336	-	63,336
State on-behalf payments	106,308	36,847	143,155
Change in assets and liabilities			
Inventory	(11,746)	-	(11,746)
Accounts payable	13,848	-	13,848
Deferred pension and OPEB	49,795	18,920	68,715
Compensated absences	(15,419)	-	(15,419)
Net cash provided (used) by operating activities	<u>\$ (995,052)</u>	<u>\$ (9,158)</u>	<u>\$(1,004,210)</u>
Schedule of non-cash transactions			
Donated commodities received from federal government	\$ 63,336	\$ -	\$ 63,336
On-behalf payments	106,308	36,847	143,155

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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. 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.

TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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 10.00% of total for the relevant fund category and at least 5.00% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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) 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.

The *Special Revenue District Activity Fund* includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements. Project accounting is employed to maintain integrity for the various sources of funds.

The *Special Revenue Student Activity Fund* includes funds restricted to expenditures 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*.

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.

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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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

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 funds use the accrual basis of accounting.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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).

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020, to finance the General Fund operations were \$.551 per \$100 valuation for real property, \$.551 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 3.00% 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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2020. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

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 and proprietary 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, 2020 consist of certificates of deposit.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL
STATEMENTS
JUNE 30, 2020**

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:

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

TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 30.00% 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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 nor 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 December 9, 2020, which is the date the financial statements were available to be issued.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020, the carrying amount of the District's deposits was \$16,290,273 and the bank balance was \$16,837,695. Of the District's bank balances, \$500,000 was covered by Federal Deposit Insurance, with the remaining balance of \$16,337,695 collateralized as discussed above.

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

Government funds	\$ 16,033,511
Proprietary funds	<u>256,762</u>
	<u>\$ 16,290,273</u>

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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 – INVESTMENTS, continued

At June 30, 2020, the District had the following investments at fair value measurements.

Certificates of Deposit	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
CD-CADRE/PFM Securities	\$ 2,470,000	\$ -	\$ -
Total investments measured at fair value	<u>\$ 2,470,000</u>	<u>\$ -</u>	<u>\$ -</u>

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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 – CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2020, was as follows:

Governmental Activities	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital assets not depreciated				
Land	\$ 300,850	\$ -	\$ -	\$ 300,850
Construction in progress	701,594	7,500,357	172,067	8,029,884
Total non-depreciable historical cost	1,002,444	7,500,357	172,067	8,330,734
Capital assets being depreciated				
Building and improvements	28,223,380	-	-	28,223,380
Land improvements	237,830	172,067	-	409,897
Technology equipment	2,359,977	-	579	2,359,398
Vehicles	3,362,779	208,806	-	3,571,585
General equipment	1,114,314	39,762	-	1,154,076
Total depreciable historical cost	35,298,280	420,635	579	35,718,336
Less: accumulated depreciation				
Building and improvements	14,342,748	748,390	-	15,091,138
Land improvements	54,537	11,892	-	66,429
Technology equipment	2,238,683	41,402	670	2,279,415
Vehicles	2,246,645	213,410	-	2,460,055
General equipment	937,742	30,799	-	968,541
Total accumulated depreciation	19,820,355	1,045,893	670	20,865,578
Total depreciable cost, net	15,477,925	(625,258)	(91)	14,852,758
Governmental activities capital assets - net	<u>\$ 16,480,369</u>	<u>\$ 6,875,099</u>	<u>\$ 171,976</u>	<u>\$ 23,183,492</u>

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

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 – CAPITAL ASSETS, continued

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

<u>Governmental Activities</u>	
Instruction	\$ 760,239
Support services	
Student	2,792
Instructional staff	1,255
District administration	21,287
School administration	10
Business	2,070
Plant operations and maintenance	69,168
Student transportation	185,930
Community service activities	<u>3,142</u>
	<u><u>\$ 1,045,893</u></u>

<u>Business-type Activities</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
Capital assets depreciated				
Buildings and improvements	\$ 1,440,338	\$ -	\$ -	\$ 1,440,338
Technology equipment	16,901	-	-	16,901
General equipment	<u>310,818</u>	<u>-</u>	<u>-</u>	<u>310,818</u>
Total depreciable historical cost	<u>1,768,057</u>	<u>-</u>	<u>-</u>	<u>1,768,057</u>
Less: accumulated depreciation				
Buildings and improvements	590,539	28,807	-	619,346
Technology equipment	16,901	-	-	16,901
General equipment	<u>272,437</u>	<u>5,621</u>	<u>-</u>	<u>278,058</u>
Total accumulated depreciation	<u>879,877</u>	<u>34,428</u>	<u>-</u>	<u>914,305</u>
Business-type activities, capital assets - net	<u><u>\$ 888,180</u></u>	<u><u>\$ (34,428)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 853,752</u></u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 – LONG TERM DEBT 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.

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Interest Rates</u>	<u>Balance June 30, 2020</u>
2006	\$ 855,000	3.75% - 4.15%	\$ 335,000
2012	2,470,000	1.00% - 2.50%	1,260,000
2013	1,830,000	2.00% - 4.00%	1,380,000
2019	13,315,000	2.25% - 2.75%	13,315,000

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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020 for debt service (principal and interest) are as follows:

	Trigg County School District		School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2021	\$ 537,157	\$ 277,386	\$ 302,843	\$ 129,969	\$ 1,247,355
2022	544,294	265,645	310,706	122,106	1,242,751
2023	561,146	253,441	318,854	113,958	1,247,399
2024	489,733	236,719	310,267	105,348	1,142,067
2025	495,632	225,633	269,368	96,587	1,087,220
2026-2030	2,649,358	954,285	1,205,642	370,074	5,179,359
2031-2035	2,969,489	630,824	1,175,511	185,629	4,961,453
2036-2040	3,358,393	230,774	791,607	52,973	4,433,747
	<u>\$ 11,605,202</u>	<u>\$ 3,074,707</u>	<u>\$ 4,684,798</u>	<u>\$ 1,176,644</u>	<u>\$ 20,541,351</u>

On October 24, 2019, the District issued bonds in the amount of \$13,315,000 for renovations at the Primary and Intermediate Schools.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 – LONG-TERM OBLIGATIONS, continued

	Balance July 1, 2019	New Issues/ Adjustments	Debt Payments/ Refunds	Balance June 30, 2020	Due within One Year
Bonds payable					
Revenue bonds	\$ 3,490,000	\$ 13,315,000	\$ 515,000	\$ 16,290,000	\$ 840,000
Less premium(discount)	<u>(21,565)</u>	<u>(169,722)</u>	<u>(7,442)</u>	<u>(183,845)</u>	<u>-</u>
Total bonds payable	<u>3,468,435</u>	<u>13,145,278</u>	<u>507,558</u>	<u>16,106,155</u>	<u>840,000</u>
Other liabilities					
Compensated absences					
Governmental	162,114	138,407	-	300,521	28,649
Business-type	20,092	-	15,419	4,673	-
Net OPEB liability	7,170,036	-	920,502	6,249,534	-
Net pension liability	<u>6,727,046</u>	<u>582,116</u>	<u>-</u>	<u>7,309,162</u>	<u>-</u>
Total other liabilities	<u>14,079,288</u>	<u>720,523</u>	<u>935,921</u>	<u>13,863,890</u>	<u>28,649</u>
Total long-term liabilities	<u>\$ 17,547,723</u>	<u>\$ 13,865,801</u>	<u>\$ 1,443,479</u>	<u>\$ 29,970,045</u>	<u>\$ 868,649</u>

NOTE 6 – COMPENSATED ABSENCES

Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% 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 \$300,521 with \$28,649 considered the short-term portion. Management has estimated the amount for business-type activities will be approximately \$4,673 with \$0 considered the short-term portion.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 – FUND BALANCE REPORTING

	General	Special Revenue	Construction	Other Governmental	Total
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted					
Compensated absences	279,720	-	-	-	279,720
Debt service	-	-	-	(39,276)	(39,276)
SFCC escrow	-	-	-	142,387	142,387
Construction	-	-	8,695,574	-	8,695,574
SEEK Capital outlay	-	-	-	8,373	8,373
District activity	-	-	-	36,875	36,875
Student activity	-	-	-	147,468	147,468
Technology	-	40,397	-	-	40,397
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	92,230	-	-	-	92,230
Site improvement	200,000	-	-	-	200,000
Computer and related equipment	350,000	-	-	-	350,000
Land improvement - construction	200,000	-	-	-	200,000
Land improvement - furniture and fixtures	75,000	-	-	-	75,000
Unassigned	3,717,413	-	-	-	3,717,413
	<u>\$ 7,289,363</u>	<u>\$ 40,397</u>	<u>\$ 8,695,574</u>	<u>\$ 295,827</u>	<u>\$16,321,161</u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 – TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
Construction	General	Leftover funds	\$ 636,654
School Activity	General	Transfer of student chrome book fees	28,969
General	Special Revenue	KETS	50,839
School Activity	Special Revenue	Transfer of SAF to DAF for student fees	54,745
General	Construction	Transfer for BG-1	1,007,066
Building	Construction	Transfer for BG-1	634,306
Capital Outlay	Construction	Transfer for BG-1	1,584,151
Building	Debt	Debt transfer	492,695
			<u>\$ 4,489,425</u>

NOTE 9 – NET POSITION DEFICIT BALANCE

The Day Care Fund had a deficit balance of \$(255,231). Excluding the effect on net position of GASB 68 related pension accounts and of GASB 75 related OPEB accounts of \$(282,396), Day Care has a net position of \$27,165. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The District has one fund with a deficit net position, Debt Service Fund \$(39,276). Also, the following funds had excess current year expenditures over current year appropriated revenues:

FSPK Fund	\$ (363,776)
SEEK Capital Outlay	(1,399,142)
Day Care	(25,572)

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020:

Health insurance	\$ 2,269,492
Life insurance	3,552
Administrative fee	29,332
Health reimbursement account - HRA/dental/vision	101,062
	<u>2,403,438</u>
Federal reimbursements of health benefits	<u>(120,434)</u>
	2,283,004
KTRS Pension Fund	2,946,504
KTRS Insurance Fund	219,863
Technology	96,511
SFCC debt service	<u>290,100</u>
	<u><u>\$ 5,835,982</u></u>

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	\$ 5,402,727
Debt Service Fund	290,100
Business-type activities	
Food Service Fund	106,308
Day Care Fund	<u>36,847</u>
	<u><u>\$ 5,835,982</u></u>

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 benefit terms. Investments are reported at fair value.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 – PENSION PLANS, continued

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

Plan description – The Board contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city and school board, and any additional eligible local agencies electing to participate in the plan. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits provided – CERS provides retirement, death and disability benefits to Plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5.00% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011. 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
	Required contributions	At least 25 years’ service and any age 5.00%
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
	Required contributions	5.00% + 1.00% for insurance
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
	Required contributions	5.00% + 1.00% for insurance

Contributions – Employers participating in the CERS were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contributions and past service contribution rates shall be determined by the KRS Board of Trustees on the basis of an annual valuation last preceding the July 1 of a new biennium. The KRS Board of Trustees may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board of Trustees. For the fiscal years ended June 30, 2019 and 2018, participating employers contributed 16.22% and 14.48%, respectively, of each employee’s creditable compensation. The actuarially determined rates set by the KRS Board of Trustees for the fiscal years June 30, 2019 and 2018 were 16.22% and 14.48%, respectively.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 – PENSION PLANS, continued

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

At June 30, 2020, the District reported a liability of \$7,309,162 for its proportionate share of the net pension liability. The net pension liability of the plan was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability was based on the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the District's proportion was 0.103926%.

For the year ended June 30, 2020, the District recognized pension expense of \$1,064,151. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 186,625	\$ 30,883
Change of assumptions	739,770	-
Net differences between projected and actual earnings on pension plan investments	140,307	258,134
Changes in proportion and difference between District contributions and proportionate share of contributions	-	314,629
District contributions subsequent to the measurement date	533,262	-
Total	<u>\$ 1,599,964</u>	<u>\$ 603,646</u>

The amount of \$533,262 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 – PENSION PLANS, continued

Years Ending June 30	
2020	\$ 350,237
2021	70,470
2022	33,991
2023	8,358
Thereafter	-
Total	<u>\$ 463,056</u>

Actuarial assumptions – The total pension liability, net pension liability and sensitivity information as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total pension liability was rolled forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted actuarial principles. There have been no changes in plan provisions since June 30, 2018 which were used to determine the total pension liability as follows:

	CERS
Inflation	2.30%
Projected salary increases	3.30% - 10.30%, varies by service
Investment rate of return, net of investment expense and inflation	6.25%
Payroll growth rate	2.00%

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

Long-term rate of return – 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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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	18.75%	4.30%
International equity	18.75%	4.80%
Core bonds	13.50%	1.35%
High yield	15.00%	2.60%
Opportunistic	3.00%	2.97%
Real estate	5.00%	4.85%
Real return	15.00%	4.10%
Private equity	10.00%	6.65%
Cash	1.00%	2.00%
Total	<u>100.00%</u>	

Discount rate – The discount rates used to measure the total pension liability for the measurement periods with years ended June 30, 2019 and 2018 were 6.25% and 6.25%, respectively. The projection of cash flows used to determine the discount rate assumed that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determinations do not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Comprehensive Annual Financial Report (CAFR).

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.

	1% Decrease <u>5.25%</u>	Current Discount Rate <u>6.25%</u>	1% Increase <u>7.25%</u>
District's proportionate share of net pension liability	\$ 9,141,688	\$ 7,309,162	\$ 5,781,869

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 – PENSION PLANS, continued

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 – At June 30, 2020, the District reported a payable of \$91,836 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

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 2.00% 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 2.50% 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 2.50% to 3.00% 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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 the System effective July 1, 2015.

For members employed by local school districts, the Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105% of salaries for those who joined before July 1, 2008 and 14.105% for those who joined thereafter. 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, 2020, the amount recognized by the District as its 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	<u>\$ 39,153,263</u>
	<u><u>\$ 39,153,263</u></u>

The net pension liability was measured as of June 30, 2020 and is based on the June 30, 2018 actuarial valuation as rolled forward to the plan's fiscal year end of June 30, 2019 using generally accepted actuarial principles.

For the year ended June 30, 2020, the District recognized pension expense of \$4,093,192 and revenue of \$4,093,192 for support provided by the State in the government wide financial statements.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 – PENSION PLANS, continued

Actuarial assumptions

Valuation date	June 30, 2018
Experience study	July 1, 2010 - June 30, 2015
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%

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

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	40.00%	4.20%
Non U.S. equity	22.00%	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	<u>100.00%</u>	

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11 – PENSION PLANS, continued

Discount rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that 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 95.00%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Deferred Compensation

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

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

General Information about the County Employees Retirement System Non-Hazardous (CERS) 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 61.645. 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 District participates in the Non-Hazardous plan. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at www.kyret.ky.gov.

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. The Board contracts with Humana to provide healthcare 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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Contributions – Employers participating in the CERS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2020, required contributions were 5.26% of each employee's covered payroll. Contributions from the District to the CERS Insurance Fund for the year ended June 30, 2020 were \$131,520. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 and Tier 3 of the CERS plan members contribute 1.00% of creditable compensation to an account created for the payment of health insurance benefits.

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

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

At June 30, 2020, the District reported a liability of \$1,747,534 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion for was 0.103899%.

For the year ended June 30, 2020, the District recognized OPEB expense of \$164,168.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

At June 30, 2020, 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	\$ -	\$ 527,272
Changes of assumptions	517,112	3,458
Net difference between projected and actual earnings on OPEB plan investments	11,511	89,129
Changes in proportion and difference between District contributions and proportionate share of contributions	-	136,132
District contributions subsequent to the measurement date	131,520	-
Total	<u>\$ 660,143</u>	<u>\$ 755,991</u>

For the year ended June 30, 2020, \$131,520 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. 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	\$ (40,503)
2021	(40,503)
2022	(15,825)
2023	(63,037)
2024	(56,179)
Thereafter	<u>(11,321)</u>
Total	<u>\$ (227,368)</u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Actuarial assumptions –The total OPEB liability actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation date	June 30, 2018
Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.30% to 10.30%, varies by service
Investment rate of return	6.25%
Healthcare cost trend rates (pre-65)	Initial trend starting at 7.25% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Healthcare cost trend rates (post-65)	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 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 50.00% and female mortality rates are multiplied by 30.00%). 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 (male mortality rates are set back four years) is used for the period after disability retirement.

Long-term expected rate of return – 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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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	18.75%	4.30%
International equity	18.75%	4.80%
Core bonds	13.50%	1.35%
High yield	15.00%	2.60%
Opportunistic	3.00%	2.97%
Real estate	5.00%	4.85%
Real return	15.00%	4.10%
Private equity	10.00%	6.65%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

Discount rate – The discount rates used to measure the total OPEB liability for the years ended June 30, 2020 and 2019 were 5.68% and 5.85% for non-hazardous and 5.69% and 5.97% for hazardous, respectively, assuming 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 single discount rates were based on the expected rates of return on the OPEB plan investments for the years ended June 30, 2020 and 2019 of 6.25% and 6.25%, and municipal bond rates of 3.13% and 3.62%, respectively, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the Board’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the Board’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the discount rate – The following presents the Board’s proportionate share of the net OPEB liability, as well as what the Board’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68% for non-hazardous and 4.69% for hazardous) or 1-percentage-point higher (6.68% for non-hazardous and 6.69% for hazardous) than the current rate:

	1% Decrease <u>4.68%</u>	Current Discount Rate <u>5.68%</u>	1% Increase <u>6.68%</u>
District's proportionate share of net OPEB liability	\$ 2,340,977	\$ 1,747,534	\$ 1,258,577

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board'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	\$ 1,299,650	\$ 1,747,534	\$ 2,290,647

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, 2020, the District reported a payable of \$22,650 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2020.

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>.

The state reports a liability, deferred outflows of resources, 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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

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, 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, 2020, the District reported a liability of \$4,502,000 for its proportionate share of the net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the 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, 2020, the District's proportion was 0.153812%.

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	\$ 4,502,000
State's proportionate share of net OPEB liability associated with the District	<u>3,636,000</u>
Total	<u><u>\$ 8,138,000</u></u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$165,000 and revenue of \$3,000 for support provided by the State. At June 30, 2020, 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
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ 1,090,000
Changes of assumptions	120,000	-
Net difference between projected and actual earnings on OPEB plan investments	19,000	-
Changes in proportion and difference between District contributions and proportionate share of contributions	114,000	75,000
District contributions subsequent to the measurement date	<u>277,558</u>	<u>-</u>
Total	<u>\$ 530,558</u>	<u>\$ 1,165,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$277,558 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Years Ending June 30	
<u> </u>	
2020	\$ (174,000)
2021	(174,000)
2022	(164,000)
2023	(166,000)
2024	(143,000)
Thereafter	<u>(91,000)</u>
Total	<u>\$ (912,000)</u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Actuarial assumptions – The total KTRS OPEB liability in the June 30, 2019 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

Mortality rates 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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2018 valuation were based on the most recent actuarial experience studies for TRS, which covered the five-year period ended June 30, 2015. The remaining actuarial assumptions (e.g. initial per capita costs, healthcare cost trends) used in the June 30, 2018 valuation of the MIF were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation. The healthcare cost trend assumption was updated for the June 30, 2018 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.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global equity	58.00%	5.10%
Fixed income	9.00%	1.20%
Real estate	6.50%	3.80%
Private equity	8.50%	6.30%
Other additional categories	17.00%	3.30%
Cash (LIBOR)	1.00%	0.90%
Total	<u>100.00%</u>	

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 was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2018. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be depleted.

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 (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease <u>7.00%</u>	Current Discount Rate <u>8.00%</u>	1% Increase <u>9.00%</u>
District's proportionate share of net OPEB liability	\$ 5,333,000	\$ 4,502,000	\$ 3,806,000

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trends 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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trends rates:

	1% Decrease <u></u>	Current Healthcare Cost Trend Rate <u></u>	1% Increase <u></u>
District's proportionate share of net OPEB liability	\$ 3,665,000	\$ 4,502,000	\$ 5,531,000

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

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

Life Insurance Plan

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

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

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

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

At June 30, 2020, 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	84,000
Total	\$ 84,000

For the year ended June 30, 2020, the District recognized OPEB expense of \$0 and revenue of \$0 for support provided by the State in the government wide financial statements.

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:

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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	3.50%
Discount rate	7.50%
Single equivalent interest rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates 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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2018 valuation were based on the most recent actuarial experience studies for TRS, which covered the five-year period ended June 30, 2015.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. equity	40.00%	4.30%
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	<u>100.00%</u>	

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

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

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.

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 25.00% 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.

COVID-19

The degree of impact of the District's finances and operations is difficult to predict due to the evolving nature of the COVID-19 pandemic. The ultimate duration and severity of the pandemic, the ramifications of future actions that may be taken or required by governmental authorities to contain and respond to the pandemic, and the severity of an associated economic recession and extent to which a recovery may be prolonged, are not yet known.

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 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, 2020 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 39,276	\$ -
Debt Service Fund	<u>-</u>	<u>39,276</u>
Total	<u>\$ 39,276</u>	<u>\$ 39,276</u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2020, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by removing student activity funds from fiduciary reporting to governmental activities. The governmental activities net position and fund balance increased by \$134,315.

NOTE 18 – RECENT ACCOUNTING PRONOUNCEMENTS

In May, 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB 95 was issued to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This was accomplished by postponing effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The pronouncements that are applicable to the District and the new effective dates are as follows:

In June, 2017, the GASB issued Statement 87, *Leases*. GASB 87 was issued to increase usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The provisions of this statement were supposed to take effect for the District's financial statements for the fiscal year ending June 30, 2021; however, this statement was postponed for eighteen months and will now be effective for the fiscal year ending June 30, 2022.

In June, 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. GASB 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions of this statement were supposed to take effect for the District's financial statements for the fiscal year ending June 30, 2021; however, this statement is now postponed to the fiscal year ending June 30, 2022.

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, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From local sources				
Taxes				
Property	\$ 4,380,000	\$ 4,380,000	\$ 4,373,221	\$ (6,779)
Motor vehicle	570,000	570,000	587,501	17,501
Utilities	860,000	860,000	830,476	(29,524)
Other	575,000	575,000	1,761,465	1,186,465
Student activities	-	-	14,414	14,414
Earnings on investments	100,000	100,000	182,723	82,723
Other local revenues	30,100	45,250	760,717	715,467
Intergovernmental - state	6,432,290	6,432,290	6,439,752	7,462
Intergovernmental - federal	15,000	15,000	39,646	24,646
Total revenues	12,962,390	12,977,540	14,989,915	2,012,375
EXPENDITURES				
Current				
Instruction	8,583,849	8,583,849	7,884,229	699,620
Support services				
Student	810,389	810,389	795,634	14,755
Instructional staff	581,879	581,879	476,259	105,620
District administration	955,288	955,288	711,295	243,993
School administration	925,465	925,465	924,587	878
Business	528,599	528,599	585,120	(56,521)
Plant operations and maintenance	1,729,998	1,729,998	1,535,411	194,587
Student transportation	1,347,526	1,347,526	1,165,806	181,720
Food service operation	-	15,150	1,901	13,249
Community service activities	-	-	148	(148)
Land improvements/acquisition	-	-	318,471	(318,471)
Site improvement	2,600	2,600	-	2,600
Contingency	1,019,111	1,019,111	-	1,019,111
Total expenditures	16,484,704	16,499,854	14,398,861	2,100,993
Excess (deficit) of revenues over (under) expenditures	(3,522,314)	(3,522,314)	591,054	4,113,368
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of fixed assets	6,000	6,000	717	(5,283)
Operating transfers in	-	-	665,623	665,623
Operating transfers out	(50,839)	(50,839)	(1,057,905)	(1,007,066)
Total other financing sources (uses)	(44,839)	(44,839)	(391,565)	(346,726)
Net change in fund balance	(3,567,153)	(3,567,153)	199,489	3,766,642
Fund balance, beginning of year	3,567,153	3,567,153	7,089,874	3,522,721
Fund balance, end of year	\$ -	\$ -	\$ 7,289,363	\$ 7,289,363

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amount</u>			Variance with Final Budget Favorable (Unfavorable)
REVENUES	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
From local sources				
Earnings on investments	\$ -	\$ -	\$ 862	\$ 862
Other local revenues	-	4,657	5,622	965
Intergovernmental - state	1,086,669	1,215,560	1,128,536	(87,024)
Intergovernmental - federal	1,468,758	1,510,146	1,418,281	(91,865)
Total revenues	<u>2,555,427</u>	<u>2,730,363</u>	<u>2,553,301</u>	<u>(177,062)</u>
EXPENDITURES				
Current				
Instruction	1,651,542	1,742,913	1,579,066	163,847
Support services				
Student	61,743	61,743	62,341	(598)
Instructional staff	510,588	566,710	588,164	(21,454)
District administration	20,000	20,000	20,000	-
School administration	18,272	18,272	18,257	15
Business	101,678	101,678	22,511	79,167
Student transportation	79,435	81,071	87,231	(6,160)
Community services	163,008	166,768	165,732	1,036
Day care operations	-	21,150	21,150	-
Total expenditures	<u>2,606,266</u>	<u>2,780,305</u>	<u>2,564,452</u>	<u>215,853</u>
Excess (deficit) of revenues over (under) expenditures	<u>(50,839)</u>	<u>(49,942)</u>	<u>(11,151)</u>	<u>38,791</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,839	50,839	50,839	-
Total other financing sources (uses)	<u>50,839</u>	<u>50,839</u>	<u>50,839</u>	<u>-</u>
Net change in fund balance	-	897	39,688	38,791
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>709</u>	<u>709</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 897</u>	<u>\$ 40,397</u>	<u>\$ 39,500</u>

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – CONSTRUCTION FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amount</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From local sources				
Earnings on investments	\$ -	\$ -	\$ 162,228	\$ 162,228
Total revenues	-	-	162,228	162,228
EXPENDITURES				
Land improvements/acquisitions	-	-	16,268	(16,268)
Building improvements	-	16,334,900	8,272,911	8,061,989
Total expenditures	-	16,334,900	8,289,179	8,045,721
Excess (deficit) of revenues over (under) expenditures	-	(16,334,900)	(8,126,951)	8,207,949
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	13,415,000	13,315,000	(100,000)
Transfers in	-	2,919,900	3,225,523	305,623
Transfers (out)	-	-	(636,654)	(636,654)
Total other financing sources (uses)	-	16,334,900	15,903,869	(431,031)
Net change in fund balance	-	-	7,776,918	7,776,918
Fund balance, beginning of year	-	-	918,656	918,656
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,695,574</u>	<u>\$8,695,574</u>

**TRIGG COUNTY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

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 2.00% 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
JUNE 30, 2020**

NOTE 1 – BUDGETARY INFORMATION, continued

Reconciliation to the General Fund

Revenues - budgetary basis	\$ 14,989,915
On-behalf payments	<u>5,402,727</u>
Total revenues - modified cash basis	<u>\$ 20,392,642</u>
Expenditures - budgetary basis	\$ 14,398,861
On-behalf payments	<u>5,402,727</u>
Total expenditures - modified cash basis	<u>\$ 19,801,588</u>

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.103926%	0.110455%	0.112559%	0.118080%	0.118700%	0.120490%
District's proportionate share of net pension liability	\$ 7,309,162	\$ 6,727,046	\$ 6,588,425	\$ 5,813,816	\$ 5,110,817	\$ 3,996,200
District's covered-employee payroll	\$ 2,671,513	\$ 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	273.60%	242.48%	237.95%	248.56%	202.00%	145.94%
Plan fiduciary net position as a percentage of total pension liability	50.45%	54.54%	53.30%	55.50%	59.97%	68.80%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSION
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>For the year ended June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 533,262	\$ 433,320	\$ 401,714	\$ 517,202	\$ 399,002	\$ 447,028
Contributions in relation to the contractually required contribution	<u>533,262</u>	<u>433,320</u>	<u>401,714</u>	<u>517,202</u>	<u>399,002</u>	<u>447,028</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,763,016	\$ 2,671,513	\$ 2,774,264	\$ 2,768,781	\$ 2,339,009	\$ 2,530,114
Contributions as a percentage of covered-employee payroll	19.30%	16.22%	14.48%	18.68%	17.06%	17.67%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

No changes

Changes in assumptions

There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The total pension liability as of June 30, 2019 is determined using these updated assumptions.

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
KENTUCKY TEACHER'S RETIREMENT SYSTEM (KTRS)**

<u>As of June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.00%	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	\$ 39,153,263	\$ 37,922,617	\$ 78,024,382	\$ 87,942,182	\$ 70,316,569	\$ 60,006,370
District's covered-employee payroll	\$ 9,206,733	\$ 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%	0.00%
Plan fiduciary net position as a percentage of total pension liability	58.76%	59.30%	39.83%	35.22%	42.49%	45.59%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
KENTUCKY TEACHER'S RETIREMENT SYSTEM (KTRS)**

<u>For the year ended June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,671,447	\$ 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%	0.00%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

Changes in benefit terms

None

Changes in assumptions

The Municipal Bond Index Rate was changed from 3.89% to 3.50%

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)

<u>As of June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of net OPEB liability	0.103899%	0.110451%	0.112559%
District's proportionate share of net OPEB liability	<u>\$ 1,747,534</u>	<u>\$ 1,961,036</u>	<u>\$ 2,262,821</u>
District's covered - employee payroll	<u>\$ 2,671,513</u>	<u>\$ 2,774,264</u>	<u>\$ 2,768,781</u>
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	65.41%	70.69%	81.73%
Plan fiduciary net position as a percentage of total OPEB liability	60.44%	57.62%	52.40%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>For the year ended June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 131,250	\$ 140,521	\$ 130,390
Contributions in relation to the contractually required contribution	<u>131,250</u>	<u>140,521</u>	<u>130,390</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,763,016	\$ 2,671,513	\$ 2,774,264
Contributions as a percentage of covered-employee payroll	4.75%	5.26%	4.70%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

No changes

Changes of assumptions

There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018." The total OPEB liability as of June 30, 2019 is determined using these updated assumptions.

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – MEDICAL INSURANCE FUND

<u>As of June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.153812%	0.150133%	0.153156%
District's proportionate share of collective net OPEB liability	\$ 4,502,000	\$ 5,209,000	\$ 5,461,000
District's covered-employee payroll	\$ 3,636,000	\$ 8,766,535	\$ 8,616,986
District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	51.43%	59.42%	63.37%
Plan fiduciary net position as a percentage of total OPEB liability	32.58%	25.50%	21.18%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – MEDICAL INSURANCE FUND**

<u>For the year ended June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 277,558	\$ 262,552	\$ 263,040
Contributions in relation to the contractually required contribution	<u>277,558</u>	<u>262,552</u>	<u>263,040</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,247,315	\$ 8,753,084	\$ 8,766,535
Contributions as a percentage of covered- employee payroll	3.00%	3.00%	3.00%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND

<u>As of June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.000000%	0.000000%	0.000000%
District's proportionate share of collective net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of collective net OPEB liability	<u>84,000</u>	<u>77,000</u>	<u>60,000</u>
Total	<u>\$ 84,000</u>	<u>\$ 77,000</u>	<u>\$ 60,000</u>
District's covered-employee payroll	\$ 8,753,084	\$ 8,766,535	\$ 8,616,986
District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability	73.40%	75.00%	79.99%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

See accompanying notes to the required supplementary information

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND**

<u>For the year ended June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,247,315	\$ 8,753,084	\$ 8,766,535
Contributions as a percentage of covered- employee payroll	0.00%	0.00%	0.00%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**TRIGG COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

Medical Insurance Fund

Changes in benefit terms

No changes

Changes in assumptions

No changes

Life Insurance Fund

Changes in benefit terms

No changes

Change in assumptions

No changes

OTHER SUPPLEMENTARY INFORMATION

**TRIGG COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	FSPK	SEEK Capital Outlay	District Activity	School Activity	Debt Service	Total
ASSETS AND RESOURCES						
Cash and cash equivalents	\$ 142,387	\$ 8,373	\$ 36,875	\$ 147,468	\$ -	\$ 335,103
Total assets and resources	<u>\$ 142,387</u>	<u>\$ 8,373</u>	<u>\$ 36,875</u>	<u>\$ 147,468</u>	<u>\$ -</u>	<u>\$ 335,103</u>
LIABILITIES AND FUND BALNCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	-	-	39,276	39,276
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,276</u>	<u>39,276</u>
Fund Balances						
Nonspendable	-	-	-	-	-	-
Spendable						
Restricted	142,387	8,373	36,875	147,468	(39,276)	295,827
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>142,387</u>	<u>8,373</u>	<u>36,875</u>	<u>147,468</u>	<u>(39,276)</u>	<u>295,827</u>
Total liabilities and fund balances	<u>\$ 142,387</u>	<u>\$ 8,373</u>	<u>\$ 36,875</u>	<u>\$ 147,468</u>	<u>\$ -</u>	<u>\$ 335,103</u>

TRIGG COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	FSPK	SEEK Capital Outlay	District Activity	School Activity	Debt Service	Nonmajor Governmental Total
REVENUES						
From local sources						
Taxes						
Property	\$ 561,302	\$ -	\$ -	\$ -	\$ -	\$ 561,302
Other revenue	-	-	1,619	516,750	-	518,369
Earnings on investments	6,650	8,372	463	2,648	-	18,133
Intergovernmental - state	195,273	176,637	-	-	290,100	662,010
Total revenues	763,225	185,009	2,082	519,398	290,100	1,759,814
EXPENDITURES						
Instruction	-	-	-	270,417	-	270,417
Student support	-	-	51,529	-	-	51,529
Instructional staff support	-	-	-	141,029	-	141,029
Other non-instructional	-	-	-	11,085	-	11,085
Debt service	-	-	-	-	782,795	782,795
Total expenditures	-	-	51,529	422,531	782,795	1,256,855
Excess (deficit) of revenues over (under) expenditures	763,225	185,009	(49,447)	96,867	(492,695)	502,959
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	54,745	-	492,695	547,440
Transfers (out)	(1,127,001)	(1,584,151)	-	(83,714)	-	(2,794,866)
Total other financing sources (uses)	(1,127,001)	(1,584,151)	54,745	(83,714)	492,695	(2,247,426)
Net change in fund balances	(363,776)	(1,399,142)	5,298	13,153	-	(1,744,467)
Fund balances, beginning of year	506,163	1,407,515	31,577	-	(39,276)	1,905,979
Implementation of GASB 84, note 17	-	-	-	134,315	-	134,315
Fund balances, beginning of year, restated	506,163	1,407,515	31,577	134,315	(39,276)	2,040,294
Fund balances, end of year	\$ 142,387	\$ 8,373	\$ 36,875	\$ 147,468	\$ (39,276)	\$ 295,827

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT FUNDS
SCHOOL ACTIVITY FUNDS – TRIGG COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2020

	Cash Balance			Cash Balance	Accounts	Accounts	Due to
	July 1, 2019	Receipts	Disbursements	June 30, 2020	Receivable	Payable	Student Groups
							June 30, 2020
TRIGG COUNTY HIGH SCHOOL:							
Athletics							
General	\$ -	\$ 24,085	\$ 24,085	\$ -	\$ -	\$ -	\$ -
Gate Change	-	4,600	4,600	-	-	-	-
KHSCA - Coaches	-	870	870	-	-	-	-
Baseball	-	1,366	1,366	-	-	-	-
Boys' Basketball	-	7,531	7,531	-	-	-	-
KME Christmas	-	7,830	7,830	-	-	-	-
Football	-	21,963	21,963	-	-	-	-
Girls' Basketball	-	7,653	7,653	-	-	-	-
Cheerleading	-	3,632	3,632	-	-	-	-
Fishing	1,321	10,599	7,054	4,866	-	-	4,866
Golf	-	7,493	7,493	-	-	-	-
Cross Country	-	1,754	1,754	-	-	-	-
Power lifting	-	1,630	871	759	-	-	759
Soccer (Boys)	209	5,401	5,610	-	-	-	-
Soccer (Girls)	-	3,841	3,841	-	-	-	-
Softball	-	727	727	-	-	-	-
Track	-	43	43	-	-	-	-
Volleyball	-	4,371	4,371	-	-	-	-
Wrestling	-	3,744	3,744	-	-	-	-
5th District Tournament	-	1,292	1,292	-	-	-	-
Fundraising Boys' Basketball	87	10,052	7,463	2,676	-	-	2,676
Fundraising Girls' Basketball	-	2,824	2,824	-	-	-	-
Fundraising Cross Country	-	10,901	10,670	231	-	-	231
Fundraising Softball	-	1,878	1,020	858	-	-	858
Fundraising Volleyball	652	6,035	6,446	241	-	-	241
Fundraising Boys' Soccer	2,179	5,194	6,667	706	-	-	706
Fundraising Girls' Soccer	5,069	6,167	11,236	-	-	-	-

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TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT FUNDS
SCHOOL ACTIVITY FUNDS – TRIGG COUNTY HIGH SCHOOL, continued
FOR THE YEAR ENDED JUNE 30, 2020

	Cash Balance			Cash Balance	Accounts	Accounts	Due to
	July 1, 2019	Receipts	Disbursements	June 30, 2020	Receivable	Payable	Student Groups
							June 30, 2020
TRIGG COUNTY HIGH SCHOOL, continued							
Senior Class	-	3,938	3,110	828	-	-	828
Clubs							
Academic	-	936	564	372	-	-	372
Art	752	2,670	1,918	1,504	-	-	1,504
Beta	-	2,200	2,008	192	-	-	192
DECA	-	19,266	18,982	284	-	-	284
Drama	827	801	837	791	-	-	791
Educators Rising		261	261	-	-	-	-
Environmental Science	107	130	-	237	-	-	237
FFA	-	31,752	25,493	6,259	-	-	6,259
FCCLA	193	764	753	204	-	-	204
Region FCCLA	231	1,752	920	1,063	-	-	1,063
Foreign Language	668	180	142	706	-	-	706
Gifted & Talented	736	11,810	12,144	402	-	-	402
History	-	80	-	80	-	-	80
HOSA	482	11,484	9,968	1,998	-	-	1,998
Interact	448	970	1,130	288	-	-	288
NHS	382	1,645	1,164	863	-	-	863
One Friend	-	2,152	1,526	626	-	-	626
Sources of Strength	415	404	819	-	-	-	-
Student Council	576	408	137	847	-	-	847
Black Hole	974	1,711	1,470	1,215	-	-	1,215
FCA	30	1,660	769	921	-	-	921
FCA Disaster Relief	526	-	-	526	-	-	526
TSA/STLP	580	10,454	10,694	340	-	-	340
Web Design	367	-	191	176	-	-	176
Y Club	195	905	875	225	-	-	225
Youth Leadership	1,013	1,014	1,743	284	-	-	284

Continued

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT FUNDS
SCHOOL ACTIVITY FUNDS – TRIGG COUNTY HIGH SCHOOL, continued
FOR THE YEAR ENDED JUNE 30, 2020

	Cash Balance			Cash Balance	Accounts	Accounts	Due to
	July 1, 2019	Receipts	Disbursements	June 30, 2020	Receivable	Payable	Student Groups
							June 30, 2020
TRIGG COUNTY HIGH SCHOOL, continued							
Departments							
Agriculture	20	3,128	3,128	20	-	-	20
Ag Greenhouse	7,939	7,200	5,908	9,231	-	-	9,231
Annual	6,342	10,996	7,345	9,993	-	-	9,993
Art	-	1,200	1,200	-	-	-	-
Art & Humanities	20	-	20	-	-	-	-
Band	6,639	55,191	56,637	5,193	-	-	5,193
Business	98	1,371	1,051	418	-	-	418
Help Desk	130	1,240	1,370	-	-	-	-
Digital Lit/Fusion	7	1,175	1,149	33	-	-	33
English	55	-	32	23	-	-	23
Guidance	-	424	383	41	-	-	41
Engineering	916	1,610	2,102	424	-	-	424
FACS - Advanced Foods	105	1,833	1,833	105	-	-	105
FACS - Advanced Parenting	55	983	1,038	-	-	-	-
FACS - Life Skills	33	123	93	63	-	-	63
FACS - Fashion & Interior	-	20	20	-	-	-	-
FACS - Money Skills	-	20	20	-	-	-	-
FMD	-	556	556	-	-	-	-
Library Fines	-	80	80	-	-	-	-
Advance P.E.	-	15	15	-	-	-	-
Health Sciences	2	2,693	2,695	-	-	-	-
P.E. I	-	740	737	3	-	-	3
Nurse Fees	5	1,313	1,313	5	-	-	5
Math	14	2,618	2,625	7	-	-	7
Science	56	4,026	4,011	71	-	-	71
Photography	407	100	289	218	-	-	218
School Store	29	15,778	15,807	-	-	-	-
Prom	2,765	5,542	150	8,157	-	-	8,157
Special Olympic	286	-	286	-	-	-	-

Continued

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT FUNDS
SCHOOL ACTIVITY FUNDS – TRIGG COUNTY HIGH SCHOOL, continued
FOR THE YEAR ENDED JUNE 30, 2020

	Cash Balance July 1, 2019	Receipts	Disbursements	Cash Balance June 30, 2020	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2020
TRIGG COUNTY HIGH SCHOOL, continued							
Departments, continued							
Chromebook	122	20,307	20,429	-	-	-	-
General Activity Fund	145	3,243	3,388	-	-	-	-
General Academic	94	9,696	9,760	30	-	-	30
General Vending							
Teacher	-	2,040	2,040	-	-	-	-
Student	-	2,604	2,567	37	-	-	37
St Flex	-	9,823	9,823	-	-	-	-
Parking Permit	-	310	310	-	-	-	-
Makerspace	-	8,731	8,731	-	-	-	-
Student Rotary	124	715	300	539	-	-	539
	<u>\$ 45,427</u>	<u>\$ 450,267</u>	<u>\$ 429,515</u>	<u>\$ 66,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,179</u>
Less: Interfund transfers	-	(38,599)	(38,599)	-	-	-	-
Trigg County High School	45,427	411,668	390,916	66,179	-	-	66,179
Trigg County Middle School	51,272	70,689	82,758	39,203	-	-	39,203
Trigg County Intermediate School	15,830	14,780	13,855	16,755	-	-	16,755
Trigg County Primary School	21,786	24,260	20,699	25,347	-	-	25,347
Total	<u>\$ 134,315</u>	<u>\$ 521,397</u>	<u>\$ 508,228</u>	<u>\$ 147,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,484</u>

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020

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	3810002-19	\$ 464,578
Special Education Preschool Grants	84.173	3800002-19	47,133
	84.173	3800002-18	<u>7,302</u>
Total Special Education Cluster			\$ 519,013
Title I Grants to Local Educational Agencies	84.010	3100002-19	464,740
	84.010	3100002-18	116,752
	84.010	3100202-19	<u>120,679</u>
Total Title I Grants to Local Educational Agencies			702,171
Career and Technical Education - Basic Grants to States	84.048	3710002-19	28,435
Rural Education	84.358	3140002-18	758
Supporting Effective Instruction State Grants	84.367	3230002-19	22,689
		3230002-18	<u>47,919</u>
Total Supporting Effective Instruction State Grants			70,608
Student Support and Academic Enrichment Program	84.424	3420002-19	6,061
	84.424	3420002-18	27,511
	84.424	3420002-17	<u>285</u>
Total Student Support and Academic Enrichment Program			33,857
Other U. S. Department of Education Programs:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Direct	25,821
Elementary and Secondary School Emergency Relief Fund	84.425D	Direct	<u>12,769</u>
Total U. S. Department of Education			<u>1,393,432</u>

TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
JUNE 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U. S. Department of Agriculture			
Passed through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760005-20	131,992
	10.553	7760005-19	49,670
National School Lunch Program	10.555	7750002-20	368,665
	10.555	7750002-19	<u>144,537</u>
Total Child Nutrition Cluster			694,864
Summer Food Service Program for Children	10.559	7690024-20	35,367
	10.559	7740023-20	<u>344,643</u>
Total Summer Food Service Program for Children			380,010
State Administrative Expenses for Child Nutrition	10.560	7700001-19	1,649
Other U. S. Department of Agriculture Programs:			
Fresh Fruit and Vegetable Program	10.582	Direct	<u>63,336</u>
Total U. S. Department of Agriculture			<u>1,139,859</u>
U. S. Department of Health and Human Services			
Every Student Succeeds Act - Preschool Development Grants	93.434	Direct	3,700
Child Care and Development Block Grant	93.575	Direct	<u>21,150</u>
Total U. S. Department of Health and Human Services			<u>24,850</u>
Total Expenditures of Federal Awards			<u><u>\$2,558,141</u></u>

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, 2020**

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, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 subrecipients 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 the 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no 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 December 9, 2020.

Purpose of this Report

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

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

December 9, 2020

SANDRA D. DUGUID, CPA
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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 the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on 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, 2020.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

December 9, 2020

**TRIGG COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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:

<u>Program Title</u>	<u>CFDA Number</u>
School Breakfast Program	10.553
National School Lunch Program	10.555

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

Auditee qualified as a low-risk auditee? X yes ___ no

Findings – Financial Statement Audits

None

Findings and Questioned Costs – Major Federal Award Program Audit

None

**TRIGG COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

None

MANAGEMENT COMMENTS FOR AUDIT

SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA, CFE

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MEREDITH D. MORRIS, CPA
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December 9, 2020

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, 2020, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several 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 December 9, 2020, contains our report on the District's internal control. This letter does not affect our report dated December 9, 2020, 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 many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We performed a follow up on the prior year findings with the status of these findings on page 108 of this report.

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, 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, 2020**

TRIGG COUNTY MIDDLE SCHOOL

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

Condition – 2 accounts with balances at year end 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 – Bookkeepers will review annually any accounts with inactive balances and move to the general activity account.

- II. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for fundraisers.

Condition – Form F-SA-2B Fundraiser Summary was not completed for three fundraisers.

Cause – Lack of implementation of Redbook policy.

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

Recommendation – When items are sold, the Fundraiser Summary form should be used and completed and approved timely to recap the profitability of a fundraiser sales cycle.

Views of Responsible Officials – A Redbook training is conducted annually, and during the annual training, items noted in the audit will be discussed for compliance.

**TRIGG COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

TRIGG COUNTY HIGH SCHOOL

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

Condition – 1 account with balance at year end had no activity during the preceding 12 months and is 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 – Bookkeepers will review annually any accounts with inactive balances and move to the general activity account.

- II. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (“Redbook”) sets accounting guidelines for fundraisers.

Condition – Form F-SA-2B Fundraiser Summary was not completed for meat/t-shirt sales fundraiser.

Cause – Lack of implementation of Redbook policy.

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

Recommendation – When items are sold, the Fundraiser Summary form should be used and completed and approved timely to recap the profitability of a fundraiser sales cycle.

Views of Responsible Officials – A Redbook training is conducted annually, and during the annual training, items noted in the audit will be discussed for compliance.

**TRIGG COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

TRIGG COUNTY INTERMEDIATE SCHOOL

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

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.

Current status – This finding was repeated as to one account for the fiscal year ended June 30, 2020.

Views of Responsible Officials – Bookkeepers will review annually any accounts with inactive balances and move to the general activity account.

TRIGG COUNTY HIGH SCHOOL

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

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.

Current status – The finding was repeated for Concessions (Form F-SA-5 was missing) for the fiscal year ended June 30, 2020.

Views of Responsible Officials – A Redbook training is conducted annually, and during the annual training, items noted in the audit will be discussed for compliance.