

**Montgomery County School District**  
**Audited Financial Statements**  
**and Required Supplementary Information**  
**June 30, 2020**

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

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INDEPENDENT AUDITOR'S REPORT

To the Kentucky State Committee of School District Audits  
Members of the Board of Education  
Montgomery County School District  
Mt. Sterling, KY 40353

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery County School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District Contributions – Pension, Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan, Schedule of District Contributions – Medical Insurance Plan, Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan, and Schedule of District Contributions – Life Insurance Plan on pages 3-9 and 65-73 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 Montgomery County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2020, on our consideration of Montgomery County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Montgomery County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

## Emphasis of Matter

As discussed in Note 18 to the financial statements, in 2020 the District adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

*Summers, McCrary & Sparks, PSC*

Lexington, KY  
November 16, 2020

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

As management of the Montgomery County School 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/OVERALL DISTRICT HIGHLIGHTS**

- The beginning General Fund balance for the District was \$5,122,379. With a decrease of \$509,714, the ending balance for FY2020 was \$4,612,665.
- Average Daily Attendance (ADA), is used to calculate base SEEK funding. Our Prior Year ADA was 4,129.626 for funding year 2018-19. Our funding ADA was 3,959.631 for 2019-20.
- Due to this decrease of 169.995 AADA our SEEK funding decreased \$1,330,604.
- The Guaranteed SEEK base was maintained at \$4,000 per pupil.
- Please note that kindergarten still receives a 50% ADA reduction for the SEEK calculation (funded at the ½ day level). Also, per the SEEK formula, transportation is only funded at nearly 55%.
- Due to COVID-19 SEEK funding for the upcoming school year 2020-21 will maintain the same level as 2019-20.
- CERS Employer Contribution Rate increased from 21.48% for the 2018-19 year to 24.06% for the 2019-20 fiscal year.
- The Board adopted a compensating tax rate in 2019.
- Due to COVID-19 interest rates plummeted, decreasing interest income.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

The government-wide financial statements can be found on pages 10-11 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds.

Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-64 of this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$9,974,280 as of June 30, 2020 as compared to \$10,302,320 in the prior year. The prior year net position was revised to recognize the effect of the implementation of GASBS No. 84 Fiduciary Activities. The prior year fund balance has been restated from \$10,146,249 to \$10,302,320 to reflect this correction.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The breakdown of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position can be seen on page 10 in the statement of net position, Governmental Wide Basis.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**Net position for the years ending June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current Assets	\$ 11,890,262	\$ 11,553,708	\$ 336,554
Noncurrent Assets	<u>71,763,438</u>	<u>73,924,156</u>	<u>(2,160,718)</u>
<b>Total Assets</b>	<u>83,653,700</u>	<u>85,477,864</u>	<u>(1,824,164)</u>
 <b>Deferred Outflows of Resources</b>	 <u>6,131,675</u>	 <u>5,754,608</u>	 <u>377,067</u>
 Current Liabilities	 3,943,598	 3,830,795	 112,803
Noncurrent Liabilities	<u>70,496,783</u>	<u>73,804,693</u>	<u>(3,307,910)</u>
<b>Total Liabilities</b>	<u>74,440,381</u>	<u>77,635,488</u>	<u>(3,195,107)</u>
 <b>Deferred Inflows of Resources</b>	 <u>5,370,714</u>	 <u>3,450,735</u>	 <u>1,919,979</u>
 Net Position			
Investment in capital assets (net)	27,832,095	27,119,243	712,852
Restricted	6,509,417	5,277,142	1,232,275
Unrestricted	<u>(24,367,232)</u>	<u>(22,250,136)</u>	<u>(2,117,096)</u>
<b>Total Net Position</b>	<u>\$ 9,974,280</u>	<u>\$ 10,146,249</u>	<u>\$ (171,969)</u>



**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2020 and 2019, government wide basis.

	<b>Summary of Revenue and Expenditures</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>						
Local revenue sources	\$11,552,706	\$10,542,497	\$500,572	\$661,198	\$12,053,278	\$11,203,695
State revenue sources	24,790,402	38,412,535	349,656	644,383	25,140,058	39,056,918
Federal revenue sources	4,588,783	4,443,145	2,815,222	2,694,063	7,404,005	7,137,208
Tuition	27,266	21,627	0	0	27,266	21,627
Gain/(Loss) on sale of assets	1,011	142,003	(127,215)	(6,365)	(126,204)	135,638
Investments	343,444	400,394	6,051	9,776	349,495	410,170
<b>Total Revenue</b>	<b>41,303,612</b>	<b>53,962,201</b>	<b>3,544,286</b>	<b>4,003,055</b>	<b>44,847,898</b>	<b>57,965,256</b>
<b>Expenses:</b>						
Instruction	22,312,466	30,292,798	0	0	22,312,466	30,292,798
Student support services	3,024,017	4,152,534	0	0	3,024,017	4,152,534
Instructional support	1,567,380	2,649,287	0	0	1,567,380	2,649,287
District administration	1,260,021	1,271,977	0	0	1,260,021	1,271,977
School administration	1,928,746	2,209,895	0	0	1,928,746	2,209,895
Business support	1,714,571	1,838,800	0	0	1,714,571	1,838,800
Plant operations	4,328,775	4,588,594	0	0	4,328,775	4,588,594
Student transportation	3,059,961	3,569,074	0	0	3,059,961	3,569,074
Community service	778,754	417,253	0	0	778,754	417,253
Interest on long-term debt	1,718,114	1,771,545	0	0	1,718,114	1,771,545
Day care	0	0	565,827	782,731	565,827	782,731
Food service	0	0	2,917,306	3,544,871	2,917,306	3,544,871
<b>Total Expenses</b>	<b>41,692,805</b>	<b>52,761,757</b>	<b>3,483,133</b>	<b>4,327,602</b>	<b>45,175,938</b>	<b>57,089,359</b>
Transfers	150,326	109,463	(150,326)	(109,463)	0	0
Change in net position	(238,867)	1,309,907	(89,173)	(434,010)	(328,040)	875,897
Beginning net position	10,986,787	9,676,880	(840,538)	(406,528)	10,146,249	9,270,352
Prior period adjustment	156,071	0	0	0	156,071	0
Beginning net position restated	11,142,858	9,676,880	(840,538)	(406,528)	10,302,320	9,270,352
<b>Ending net position</b>	<b>\$10,903,991</b>	<b>\$10,986,787</b>	<b>(\$929,711)</b>	<b>(\$840,538)</b>	<b>\$9,974,280</b>	<b>\$10,146,249</b>

**Governmental Activities**

Instruction comprises 54% of governmental program expenses. Plant Operations expense makes up 10% of government expenses. District and School Administration total 8% of governmental expenses. The remaining expenses for support services, community service activities, transportation and interest account for the final 28% of total governmental expense.

**Business-Type Activities**

The business-type activities include the food service and day care operations. These programs had total revenues of \$3,544,286 and expenses of \$3,483,133 for fiscal year 2020. Of the revenues, \$500,572 was charges for services, and \$3,164,878 was from State and Federal grants. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**FUND FINANCIAL ANALYSIS**

The following table presents a summary of revenue and expense, excluding transfers, for selected funds (including on-behalf payments). Food service and day care amounts are presented on the accrual basis while general and special revenue funds are on the modified accrual basis:

**For the Year ending June 30, 2020**

	GENERAL FUND	SPECIAL REVENUE FUND	FOOD SERVICE FUND	DAY CARE FUND
<b>REVENUES:</b>				
From local sources:				
Taxes:				
Property	\$ 5,265,777	\$ 0	\$ 0	\$ 0
Motor vehicle	789,312	0	0	0
Utilities	1,751,187	0	0	0
Earnings on investments	148,258	634	6,051	0
Tuition & fees	27,266	0	0	0
Other local revenues	470,795	66,505	0	0
Intergovernmental - state	28,962,762	1,639,315	206,578	143,078
Intergovernmental - federal	227,759	3,688,852	2,585,349	229,873
Gain/(Loss) on asset disposal	0	0	(127,215)	0
Lunchroom sales	0	0	229,859	0
Day care revenue	0	0	0	270,713
<b>TOTAL REVENUES</b>	<b>\$ 37,643,116</b>	<b>\$ 5,395,306</b>	<b>\$ 2,900,622</b>	<b>\$ 643,664</b>
<b>EXPENDITURES:</b>				
Instruction:	\$ 22,003,140	\$ 3,872,202	\$ 0	\$ 0
Support Services:				
Student	3,188,843	262,448	0	0
Instructional staff	1,594,950	803,578	0	0
District administration	1,308,026	0	0	0
School administration	2,071,132	0	0	0
Business	1,647,325	5,713	0	0
Plant operations and maintenance	4,036,964	7,829	0	0
Student transportation	2,248,341	194,222	0	0
Food Service	0	0	2,917,306	0
Day care service	0	0	0	565,827
Community Service	4,036	325,583	0	0
Capital outlay	155,240	0	0	0
Debt service	441,554	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>\$ 38,699,551</b>	<b>\$ 5,471,575</b>	<b>\$ 2,917,306</b>	<b>\$ 565,827</b>
Excess (Deficit) of Revenues over Expenditures	<b>\$ (1,056,435)</b>	<b>\$ (76,269)</b>	<b>\$ (16,684)</b>	<b>\$ 77,837</b>

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**For the Year ending June 30, 2019**

	GENERAL FUND	SPECIAL REVENUE FUND	FOOD SERVICE FUND	DAY CARE FUND
<b>REVENUES:</b>				
From local sources:				
Taxes:				
Property	\$ 4,839,615	\$ 0	\$ 0	\$ 0
Motor vehicle	895,091	0	0	0
Utilities	1,735,172	0	0	0
Earnings on investments	230,931	1,205	9,776	0
Tuition & fees	21,627	0	0	0
Other local revenues	257,529	68,328	0	0
Intergovernmental - state	30,111,389	1,981,528	397,811	246,572
Intergovernmental - federal	216,794	3,556,322	2,687,424	6,639
Gain/(Loss) on asset disposal	0	0	(6,365)	0
Lunchroom sales	0	0	299,236	0
Day care revenue	0	0	0	361,962
<b>TOTAL REVENUES</b>	<b>\$ 38,308,148</b>	<b>\$ 5,607,383</b>	<b>\$ 3,387,882</b>	<b>\$ 615,173</b>
<b>EXPENDITURES:</b>				
Instruction:	\$ 20,900,559	\$ 3,999,702	\$ 0	\$ 0
Support Services:				
Student	3,478,726	232,902	0	0
Instructional staff	1,470,000	788,488	0	0
District administration	1,162,667	0	0	0
School administration	1,929,120	0	0	0
Business	1,636,334	6,201	0	0
Plant operations and maintenance	4,187,526	2,783	0	0
Student transportation	2,696,304	121,088	0	0
Food Service	0	0	3,544,871	0
Day care service	0	0	0	782,731
Community Service	4,391	353,723	0	0
Capital outlay	455,359	0	0	0
Debt service	423,771	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>\$ 38,344,757</b>	<b>\$ 5,504,887</b>	<b>\$ 3,544,871</b>	<b>\$ 782,731</b>
Excess (Deficit) of Revenues over Expenditures	<b>\$ (36,609)</b>	<b>\$ 102,496</b>	<b>\$ (156,989)</b>	<b>\$ (167,558)</b>

**Debt**

At June 30, 2020, the School District had \$44,022,297 in bond and capital lease debt outstanding; of this amount \$502,490 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$2,930,395 is due within one year.

**Capital Assets**

The Board added \$582,209 in new assets during the year, primarily for the renovation of district buildings and purchase of equipment.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2020**

**Comments on Budget Comparisons**

General fund budget compared to actual revenue varied from line item to line item with the ending actual revenues being \$10,527,691 more than budget. General fund budget compared to actual expenditures varied from line item to line item with the ending actual expenditures being \$9,014,401 more than budget. This overage is caused by on-behalf payments that are recorded at year end but not included in the budget appropriations. This overage is offset by additional on-behalf revenues from the state. The District's total general fund revenues for the fiscal year ended June 30, 2020, before interfund transfers, was \$37,643,116, a decrease of \$665,032 from the total revenues of \$38,308,148 for 2019.

**FUTURE BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1 through June 30; other programs, i.e. some federal, operate on a different fiscal calendar but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. Significant board actions that impacted finances include; Section 7 allocations, funding all-day Kindergarten, funding all athletic and a majority of extracurricular trips, expenditures for an alternative school. Gateway in our only remaining KECSAC program. Hope Hill & Hillcrest group home have closed in the 19-20 school year. Through staffing, programming and other reductions, the District did decrease expenses for the fiscal year 2020-21 budget in an attempt to correct the overspending pattern that has been in place the last several years. For the 2020-21 fiscal year the Board maintained the same property tax rate to preserve level of funding. For the 2020-21 school year in order to balance the budget there were significant staffing reductions due to decreased enrollment as well as departmental reductions. The state has cut flex focus funding by awarding zero funds for PD and Instructional Resources for 2020-21.

The CERS retirement employer rate will remain 24.06% for FY2021. The KTRS retirement employer contribution to the retiree medical insurance fund is 3.00% and federally funded employees 16.105% as mandated. Federal Programs Health Insurance/Life Insurance reimbursements to the State of Kentucky are included in the District's budget. For the upcoming FY2020-21 school year, the district remains committed to maintaining the 187 day contracts for certified teachers.

Management and the Board will review the operating budget and seek areas to reduce costs while maintaining a quality education. We will also aggressively pursue new grant funding and local community support. The support and fundraising efforts of the Montgomery School District, Alumni, and Community Leaders positively impact the educational accomplishments of this district. The Board and management believe these actions will establish an adequate cash reserve in fiscal year 2021 and future years. The District continues to receive positive feedback from the community, faculty, staff, parents and students regarding the leadership initiatives of the current Superintendent, Dr. Matthew Thompson.

Questions regarding this report should be directed to Angela Rhodes, Director of Finance, (859) 497-8760 ext. 6003, email: [angela.rhodes@montgomery.kyschools.us](mailto:angela.rhodes@montgomery.kyschools.us) , or by mail at the Montgomery County Schools, 3400 Indian Mound Drive Mt. Sterling, KY 40353.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 10,094,088	\$ 764,488	\$ 10,858,576
Accounts receivable			
Taxes	146,403	-	146,403
Accounts	34,083	64,364	98,447
Intergovernmental - Federal	744,524	-	744,524
Inventory	-	42,312	42,312
Total Current Assets	<u>11,019,098</u>	<u>871,164</u>	<u>11,890,262</u>
<b>Noncurrent Assets</b>			
Non-depreciated capital assets	4,397,201	-	4,397,201
Net depreciated capital assets	66,446,236	920,001	67,366,237
Total Noncurrent Assets	<u>70,843,437</u>	<u>920,001</u>	<u>71,763,438</u>
<b>TOTAL ASSETS</b>	<u>81,862,535</u>	<u>1,791,165</u>	<u>83,653,700</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension	3,114,874	377,841	3,492,715
OPEB	2,057,424	187,872	2,245,296
Deferred Gain/Loss on Bond Refinance	393,664	-	393,664
Total deferred outflow of resources	<u>5,565,962</u>	<u>565,713</u>	<u>6,131,675</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts payable	40,856	175	41,031
Current portion of bond obligations	2,570,000	-	2,570,000
Current portion of accrued sick leave	105,347	-	105,347
Accrued interest payable	307,090	-	307,090
Unearned revenues	483,957	-	483,957
Current Portion of Capital Leases	360,395	-	360,395
Current portion of KSBIT payable	75,778	-	75,778
Total Current Liabilities	<u>3,943,423</u>	<u>175</u>	<u>3,943,598</u>
<b>Noncurrent Liabilities</b>			
Noncurrent portion of bond obligations	40,148,710	-	40,148,710
Net pension liability	13,816,119	2,384,078	16,200,197
Net OPEB liability	12,000,945	591,344	12,592,289
Noncurrent portion Capital Leases	1,245,902	-	1,245,902
Noncurrent portion of accrued sick leave	309,685	-	309,685
Total Noncurrent Liabilities	<u>67,521,361</u>	<u>2,975,422</u>	<u>70,496,783</u>
<b>TOTAL LIABILITIES</b>	<u>71,464,784</u>	<u>2,975,597</u>	<u>74,440,381</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	664,704	140,637	805,341
OPEB	4,395,018	170,355	4,565,373
Total deferred inflow of resources	<u>5,059,722</u>	<u>310,992</u>	<u>5,370,714</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	26,912,094	920,001	27,832,095
Restricted			
Debt Service	5,626,085	-	5,626,085
Capital projects	21,100	-	21,100
Other purposes	-	862,232	862,232
Unrestricted	<u>(21,655,288)</u>	<u>(2,711,944)</u>	<u>(24,367,232)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 10,903,991</u>	<u>\$ (929,711)</u>	<u>\$ 9,974,280</u>

See Accompanying Notes to the Financial Statements

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

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 22,312,466	\$ 27,266	\$ 3,916,612	\$ -	\$ (18,368,588)	\$ -	\$ (18,368,588)
Support Services:							
Student	3,024,017	-	-	-	(3,024,017)	-	(3,024,017)
Instructional staff	1,567,380	-	-	-	(1,567,380)	-	(1,567,380)
District administration	1,260,021	-	-	-	(1,260,021)	-	(1,260,021)
School administration	1,928,746	-	-	-	(1,928,746)	-	(1,928,746)
Business	1,714,571	-	-	-	(1,714,571)	-	(1,714,571)
Plant operations and maintainance	4,328,775	-	-	-	(4,328,775)	-	(4,328,775)
Student transportation	3,059,961	-	-	-	(3,059,961)	-	(3,059,961)
Community services	778,754	-	-	-	(778,754)	-	(778,754)
Interest on long-term debt	1,718,114	-	-	737,730	(980,384)	-	(980,384)
Total Governmental Activities	41,692,805	27,266	3,916,612	737,730	(37,011,197)	-	(37,011,197)
Business Type Activities:							
Food Service	2,917,306	229,859	2,791,927	-	-	104,480	104,480
Child Care	565,827	270,713	372,951	-	-	77,837	77,837
Total Business Type Activities	3,483,133	500,572	3,164,878	-	-	182,317	182,317
Total Primary Government	\$ 45,175,938	\$ 527,838	\$ 7,081,490	\$ 737,730	\$ (37,011,197)	\$ 182,317	\$ (36,828,880)
General Revenues:							
Taxes:							
Property					\$ 7,729,689	\$ -	\$ 7,729,689
Motor vehicle					789,312	-	789,312
Utilities					1,751,187	-	1,751,187
State and formula grants					24,752,109	-	24,752,109
Interest and investment earnings					343,444	6,051	349,495
Other Local revenues					1,255,252	-	1,255,252
Gain/(loss) on sale of assets					1,011	(127,215)	(126,204)
Transfers					150,326	(150,326)	-
Total General Revenues and Transfers					36,772,330	(271,490)	36,500,840
Change in Net Position					(238,867)	(89,173)	(328,040)
Net Position - beginning of year					10,986,787	(840,538)	10,146,249
Prior Period Adjustment (see Note #18)					156,071	-	156,071
Net Position - beginning of year restated					11,142,858	(840,538)	10,302,320
Net Position - end of year					\$ 10,903,991	\$ (929,711)	\$ 9,974,280

See Accompanying Notes to the Financial Statements

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

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 4,474,095	\$ -	\$ 5,626,085	\$ 253,546	\$ 10,353,726
Accounts receivable					
Taxes	146,403	-	-	-	146,403
Accounts	32,094	-	-	1,989	34,083
Intergovernmental - Federal	-	744,524	-	-	744,524
<b>TOTAL ASSETS</b>	<b>\$ 4,652,592</b>	<b>\$ 744,524</b>	<b>\$ 5,626,085</b>	<b>\$ 255,535</b>	<b>\$ 11,278,736</b>
<b>LIABILITIES:</b>					
Cash overdraft	\$ -	\$ 259,638	\$ -	\$ -	\$ 259,638
Accounts payable	39,927	929	-	-	40,856
Accrued sick leave	-	-	-	-	-
Unearned revenue	-	483,957	-	-	483,957
<b>TOTAL LIABILITIES</b>	<b>39,927</b>	<b>744,524</b>	<b>-</b>	<b>-</b>	<b>784,451</b>
<b>FUND BALANCES:</b>					
Restricted	-	-	5,626,085	21,100	5,647,185
Committed	207,516	-	-	234,435	441,951
Assigned	163,786	-	-	-	163,786
Unassigned	4,241,363	-	-	-	4,241,363
<b>TOTAL FUND BALANCES</b>	<b>4,612,665</b>	<b>-</b>	<b>5,626,085</b>	<b>255,535</b>	<b>10,494,285</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,652,592</b>	<b>\$ 744,524</b>	<b>\$ 5,626,085</b>	<b>\$ 255,535</b>	<b>\$ 11,278,736</b>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

Total Governmental Fund Balances	\$	10,494,285
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>		
		70,843,437
<p>Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.</p>		
Deferred loss on refunding		393,664
Pension		3,114,874
OPEB		2,057,424
<p>Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position.</p>		
Net pension liability		(13,816,119)
Net OPEB liability		(12,000,945)
<p>Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.</p>		
Pension		(664,704)
OPEB		(4,395,018)
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position.</p>		
Bond obligations		(42,718,710)
Capital Lease obligations		(1,606,297)
Accrued interest		(307,090)
KSBIT liability		(75,778)
Accrued sick leave		(415,032)
		(415,032)
Net Position of Governmental Activities	\$	10,903,991

See Accompanying Notes to the Financial Statements



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

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
From local sources:					
Taxes:					
Property	\$ 5,265,777	\$ -	\$ -	\$ 2,463,912	\$ 7,729,689
Motor vehicle	789,312	-	-	-	789,312
Utilities	1,751,187	-	-	-	1,751,187
Earnings on investments	148,258	634	193,930	622	343,444
Tuition	27,266	-	-	-	27,266
Other local revenues	470,795	66,505	-	717,952	1,255,252
Intergovernmental - State	28,962,762	1,639,315	65,558	2,055,687	32,723,322
Intergovernmental - Indirect federal	227,759	3,688,852	672,172	-	4,588,783
<b>TOTAL REVENUES</b>	<b>37,643,116</b>	<b>5,395,306</b>	<b>931,660</b>	<b>5,238,173</b>	<b>49,208,255</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:	22,003,140	3,872,202	-	593,019	26,468,361
Support Services:					
Student	3,188,843	262,448	-	-	3,451,291
Instructional staff	1,594,950	803,578	-	84,545	2,483,073
District administration	1,308,026	-	-	-	1,308,026
School administration	2,071,132	-	-	-	2,071,132
Business	1,647,325	5,713	-	-	1,653,038
Plant operations and maintainance	4,036,964	7,829	-	-	4,044,793
Student transportation	2,248,341	194,222	-	-	2,442,563
Community Services	4,036	325,583	-	-	329,619
Capital Outlay	155,240	-	-	417,733	572,973
Debt service	441,554	-	4,168,126	-	4,609,680
<b>TOTAL EXPENDITURES</b>	<b>38,699,551</b>	<b>5,471,575</b>	<b>4,168,126</b>	<b>1,095,297</b>	<b>49,434,549</b>
Excess (Deficit) of Revenues over Expenditures	(1,056,435)	(76,269)	(3,236,466)	4,142,876	(226,294)
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	627,565	88,151	3,962,916	98,680	4,777,312
Operating transfers out	(95,505)	(11,882)	-	(4,519,599)	(4,626,986)
Proceeds from sale of fixed assets	14,661	-	-	-	14,661
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>546,721</b>	<b>76,269</b>	<b>3,962,916</b>	<b>(4,420,919)</b>	<b>164,987</b>
Net Change in Fund Balances	(509,714)	-	726,450	(278,043)	(61,307)
Fund balance - beginning of year	5,122,379	-	4,899,635	377,507	10,399,521
Prior Period Adjustment (See Note #18)	-	-	-	156,071	156,071
Fund balance - beginning of year	5,122,379	-	4,899,635	533,578	10,555,592
Fund balance - end of year	\$ 4,612,665	\$ -	\$ 5,626,085	\$ 255,535	\$ 10,338,214

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$	(61,307)
Amounts reported for governmental activities in the statement of activities are different because:		
Bond discounts are expensed as incurred in the fund financial statement, but are amortized over the life of the bond in the statement of activities:		
Amortization expense		33,909
The proceeds from the disposal of capital assets provide current financial resources and are reported in the fund financial statements. However, for governmental activities the proceeds are reported net of the cost less any accumulated depreciation.		
		(13,650)
Governmental funds do not report the effect of gain or loss on refunding debt, whereas these amounts are deferred and amortized in the statement of activities.		
		(72,083)
Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		
Capital outlays		572,973
Depreciation expense		(2,591,559)
Generally, expenditures recognized in the fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued interest		17,996
Sick leave		1,628
KSBIT payable		75,778
Governmental funds report pension and OPEB contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, and the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.		
KTRS on-behalf revenue		(7,905,656)
KTRS on-behalf pension expense		8,008,656
KTRS on-behalf OPEB expense		(103,000)
Pension expense		(1,480,932)
OPEB expense		366,636
Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position.		
		2,911,744
Change in Net Position of Governmental Activities	\$	(238,867)

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	GENERAL FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
From local sources:				
Taxes:				
Property	\$ 4,855,000	\$ 4,890,925	\$ 5,265,777	\$ 374,852
Motor vehicle	800,000	835,000	789,312	(45,688)
Utilities	1,775,000	1,775,000	1,751,187	(23,813)
Tuition and fees	10,500	15,000	27,266	12,266
Earnings on investments	120,000	170,000	148,258	(21,742)
Other local revenues	198,800	195,500	470,795	275,295
Intergovernmental - State	19,623,000	19,094,000	28,962,762	9,868,762
Intergovernmental - Indirect federal	130,000	140,000	227,759	87,759
<b>TOTAL REVENUES</b>	<u>27,512,300</u>	<u>27,115,425</u>	<u>37,643,116</u>	<u>10,527,691</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:	14,852,436	14,701,164	22,003,140	(7,301,976)
Support Services:				
Student	2,399,500	2,647,915	3,188,843	(540,928)
Instructional staff	1,177,477	1,312,435	1,594,950	(282,515)
District administration	1,344,645	1,395,460	1,308,026	87,434
School administration	1,453,890	1,470,825	2,071,132	(600,307)
Business	1,249,780	1,390,425	1,647,325	(256,900)
Plant operations and maintenance	3,854,910	3,920,391	4,167,483	(247,092)
Student transportation	2,269,292	2,397,825	2,273,062	124,763
Community Services	6,900	6,900	4,036	2,864
Debt service	423,770	441,810	441,554	256
<b>TOTAL EXPENDITURES</b>	<u>29,032,600</u>	<u>29,685,150</u>	<u>38,699,551</u>	<u>(9,014,401)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,520,300)</u>	<u>(2,569,725)</u>	<u>(1,056,435)</u>	<u>1,513,290</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	260,000	130,000	627,565	497,565
Operating transfers out	(100,000)	(135,000)	(95,505)	39,495
Proceeds from Sale of Assets	500	500	14,661	14,161
Contingency	(3,125,000)	(2,500,000)	-	2,500,000
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>(2,964,500)</u>	<u>(2,504,500)</u>	<u>546,721</u>	<u>3,051,221</u>
Net Change in Fund Balances	(4,484,800)	(5,074,225)	(509,714)	4,564,511
Fund balance - beginning of year	4,484,800	5,074,225	5,122,379	48,154
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,612,665</u>	<u>\$ 4,612,665</u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	SPECIAL REVENUE FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 634	\$ 634
Other local revenues	39,427	62,570	66,505	3,935
Intergovernmental - State	1,818,229	1,894,578	1,639,315	(255,263)
Intergovernmental - Indirect federal	3,645,025	3,654,887	3,688,852	33,965
TOTAL REVENUES	<u>5,502,681</u>	<u>5,612,035</u>	<u>5,395,306</u>	<u>(216,729)</u>
EXPENDITURES:				
Current:				
Instruction:	4,112,573	4,163,845	3,872,202	291,643
Support Services:				
Student	207,225	155,153	262,448	(107,295)
Instructional staff	717,039	834,758	803,578	31,180
Business	5,713	5,713	5,713	-
Plant operations and maintenance	89,889	83,596	7,829	75,767
Student transportation	107,962	111,880	194,222	(82,342)
Community services	341,850	349,439	325,583	23,856
TOTAL EXPENDITURES	<u>5,582,251</u>	<u>5,704,384</u>	<u>5,471,575</u>	<u>232,809</u>
Excess (Deficit) of Revenues over Expenditures	<u>(79,570)</u>	<u>(92,349)</u>	<u>(76,269)</u>	<u>16,080</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	100,000	95,000	88,151	(6,849)
Operating transfers out	<u>-</u>	<u>(2,651)</u>	<u>(11,882)</u>	<u>(9,231)</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>100,000</u>	<u>92,349</u>	<u>76,269</u>	<u>(16,080)</u>
Net Change in Fund Balances	20,430	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of yea	<u>\$ 20,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

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

	<u>FOOD SERVICE FUND</u>	<u>DAY CARE FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<b>ASSETS:</b>			
Current Assets			
Cash and cash equivalents	\$ 622,892	\$ 141,596	\$ 764,488
Accounts receivable	61,364	3,000	64,364
Inventory	42,312	-	42,312
Total Current Assets	<u>726,568</u>	<u>144,596</u>	<u>871,164</u>
Noncurrent Assets			
Machinery & equipment	3,099,715	2,700	3,102,415
Accumulated depreciation	(2,179,714)	(2,700)	(2,182,414)
Total Noncurrent Assets	<u>920,001</u>	<u>-</u>	<u>920,001</u>
<b>TOTAL ASSETS</b>	<u>1,646,569</u>	<u>144,596</u>	<u>1,791,165</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension Plan	279,010	98,831	377,841
OPEB	136,427	51,445	187,872
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>415,437</u>	<u>150,276</u>	<u>565,713</u>
<b>LIABILITIES:</b>			
Current Liabilities			
Accounts payable	-	175	175
Noncurrent Liabilities			
Net pension liability	1,673,686	710,392	2,384,078
Net OPEB liability	434,123	157,221	591,344
<b>TOTAL LIABILITIES</b>	<u>2,107,809</u>	<u>867,788</u>	<u>2,975,597</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Plan	105,094	35,543	140,637
OPEB	113,252	57,103	170,355
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>218,346</u>	<u>92,646</u>	<u>310,992</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	920,001	-	920,001
Restricted	717,812	144,420	862,232
Unrestricted	(1,901,962)	(809,982)	(2,711,944)
<b>TOTAL NET POSITION</b>	<u>\$ (264,149)</u>	<u>\$ (665,562)</u>	<u>\$ (929,711)</u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	FOOD SERVICE FUND	DAY CARE FUND	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES:			
Lunchroom sales	\$ 229,859	\$ -	\$ 229,859
Other operating revenues	-	270,713	270,713
TOTAL OPERATING REVENUES	<u>229,859</u>	<u>270,713</u>	<u>500,572</u>
OPERATING EXPENSES:			
Salaries and wages	787,290	345,166	1,132,456
Employee benefits	490,881	192,270	683,151
Contract services	77,340	4,934	82,274
Materials and supplies	1,442,236	21,905	1,464,141
Miscellaneous	7,608	1,552	9,160
Depreciation	111,951	-	111,951
TOTAL OPERATING EXPENSES	<u>2,917,306</u>	<u>565,827</u>	<u>3,483,133</u>
Operating income (loss)	(2,687,447)	(295,114)	(2,982,561)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	2,461,395	229,873	2,691,268
Federal commodities	123,954	-	123,954
State grants	206,578	143,078	349,656
Interest income	6,051	-	6,051
Loss on disposal	(127,215)	-	(127,215)
NON-OPERATING REVENUES (EXPENSES)	<u>2,670,763</u>	<u>372,951</u>	<u>3,043,714</u>
Net income (loss) before operating transfers	(16,684)	77,837	61,153
Operating transfers	<u>(150,326)</u>	-	<u>(150,326)</u>
Change in net position	(167,010)	77,837	(89,173)
Total net position - beginning of year	<u>(97,139)</u>	<u>(743,399)</u>	<u>(840,538)</u>
Total net position - end of year	<u>\$ (264,149)</u>	<u>\$ (665,562)</u>	<u>\$ (929,711)</u>

See Accompanying Notes to the Financial Statements

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

	FOOD SERVICE FUND	DAY CARE FUND	TOTAL PROPRIETARY FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 183,365	\$ 279,767	\$ 463,132
Cash paid to suppliers	(1,412,105)	(28,404)	(1,440,509)
Cash paid to employees	(1,024,987)	(443,693)	(1,468,680)
Net Cash Provided (Used) by Operating Activities	<u>(2,253,727)</u>	<u>(192,330)</u>	<u>(2,446,057)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers	(150,326)	-	(150,326)
Governmental grants	2,361,418	315,297	2,676,715
Net Cash Provided (Used) by Noncapital Activities	<u>2,211,092</u>	<u>315,297</u>	<u>2,526,389</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(110,684)	-	(110,684)
Loss on disposal	127,215	-	127,215
Net Cash Provided (Used) by Financing Activities	<u>16,531</u>	<u>-</u>	<u>16,531</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	6,051	-	6,051
Net Cash Provided (Used) by Investing Activities	<u>6,051</u>	<u>-</u>	<u>6,051</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(20,053)	122,967	102,914
<b>Cash and cash equivalents - beginning of year</b>	<u>642,945</u>	<u>18,629</u>	<u>661,574</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 622,892</u>	<u>\$ 141,596</u>	<u>\$ 764,488</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating Income (loss)	\$ (2,687,447)	\$ (295,114)	\$ (2,982,561)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Federal commodities	123,954	-	123,954
On-behalf payments	179,340	57,654	236,994
Depreciation	111,951	-	111,951
Changes in Assets and Liabilities:			
Accounts Receivable	(46,494)	9,054	(37,440)
Inventory	(8,756)	-	(8,756)
Deferred outflows	(14,230)	(6,955)	(21,185)
Accounts payable	(119)	(13)	(132)
Deferred inflows	15,997	7,818	23,815
Net pension liability	85,277	41,677	126,954
Net OPEB liability	(13,200)	(6,451)	(19,651)
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,253,727)</u>	<u>\$ (192,330)</u>	<u>\$ (2,446,057)</u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	\$ 123,954	\$ -	\$ 123,954
On-behalf payments	\$ 179,340	\$ 57,654	\$ 236,994

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

		<u>SPECIAL PURPOSE TRUST FUNDS</u>
ASSETS:		
Cash and cash equivalents	\$	199,587
Accounts receivable		<u>1,103</u>
 TOTAL ASSETS	 \$	 <u><u>200,690</u></u>
 LIABILITIES:		
Accounts payable	\$	<u>85</u>
 TOTAL LIABILITIES		 <u>85</u>
 NET POSITION:		
Net position - Held in trust		<u>200,605</u>
 TOTAL NET POSITION		 <u>200,605</u>
 TOTAL LIABILITIES AND NET POSITION	 \$	 <u><u>200,690</u></u>

See Accompanying Notes to the Financial Statements



**MONTGOMERY COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

		SPECIAL PURPOSE TRUST FUNDS
ADDITIONS		
Contributions	\$	221,493
Interest Income		422
Total Additions		221,915
DEDUCTIONS		
Instruction		240,884
Total Deductions		240,884
Change in Net Position		(18,969)
Total net position - beginning of year		219,574
Total net position - end of year	\$	200,605

See Accompanying Notes to the Financial Statements

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Montgomery County School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental entities in the United States of America. U. S. governmental accounting standards are established by the Governmental Accounting Standards Board (GASB) for state and local governmental entities. The following discussion is a summary of the more significant accounting policies that apply to the District.

**Reporting Entity**

The Montgomery County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Montgomery County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Montgomery County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself, such as Boosters Club, Parent-Teacher Associations and other student association entities.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

**Blended Component Unit**

**Montgomery County Board of Education Finance Corporation** - In a prior year, the Board resolved to authorize the establishment of the Montgomery County School District Finance Corporation (a non-stock, non-profit corporation organized under School Bond Act and Chapter 273 and KRS 58.180) (the Corporation) as an agency of the District for financing the costs of school building improvements. The Board members of the Montgomery County Board of Education also comprise the corporation's Board of Directors. The Corporation does not publish individual component unit financial statements.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Basis of Presentation

The District's basic financial statements present government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities accompanied by a total column.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all the District's assets and liabilities, including capital assets as well as long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and utility tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The District has the following funds:

I. Governmental Fund Types

(A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

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

- 1) The Special Revenue Fund includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- 2) The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds. This is a non-major fund of the District.
- 3) The School Activity Fund is a Special Revenue Fund type and is used to account for activities and programs for athletic, community service, and scholastic organizations managed by each school to benefit student activities. This fund was added in FY 2020 after the District implemented GASBS No. 84, *Fiduciary Activities*. This is a non-major fund of the District.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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

- 1) The Support Education Excellence in Kentucky (SEEK), Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a non-major fund of the District.
- 2) The Facility Support Program of Kentucky (FSPK), Fund 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. This is a non-major fund of the District.
- 3) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bonds issues are used for various construction and renovation projects. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a non-major fund of the District.

(D) The Debt Service Fund accounts for financial resources used for payment of principal and interest and other debt related costs. This is a major fund of the District.

**II. Proprietary Fund Types (Enterprise Fund)**

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

(B) The Day Care Fund is used to account for child care revenue and expenditures. The Day Care Fund is a major fund.

**III. Fiduciary Fund Type (Agency)**

(A) The Private Purpose Trust Fund is maintained within MUNIS and accounts for revenues generated by trusts set up to benefit students in Montgomery County.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, 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 of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before eligibility criteria other than time requirements have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Unused donated commodities are also reported as inventory and unearned revenue.

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

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were \$0.523 per \$100 valuation for real property, \$0.523 per \$100 valuation for business personal property and \$0.469 per \$100 valuation for motor vehicles.

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

Cash and Cash Equivalents

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

Inventory

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

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.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Capital Assets (Cont'd)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

All reported capital assets are depreciated except for land. 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:

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	12	years
Furniture and fixtures	20	years
Rolling Stock	15	years
Other	10	years

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of the accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accrued sick leave" in the general fund. The non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.



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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

- a) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
- b) Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
- c) Capital outlay is budgeted within the departmental budget (budgetary) as opposed to separate classification by character (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Interfund Balances

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

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 non-current portion of capital leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, 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.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Pensions

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 of the County Employees Retirement System Non-Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“KTRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the CERS and KTRS, respectively. 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. Both systems publish separate financial statements as described in Note 6.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“KTRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these multiple-employer cost-sharing OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note 7.

Fund Balances

The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) for fiscal year 2011 for its governmental funds. Fund balances for each of the District’s governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Fund balance in the Construction, SEEK Capital Outlay, and FSPK Building funds are restricted for capital projects with a total of \$21,100 at June 30, 2020. Fund balance in the Debt Service fund is restricted for debt service with a total of \$5,626,085 at June 30, 2020.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Fund Balances (Cont'd)

- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the board's highest level of decision-making authority, which is a resolution. At June 30, 2020, The District had committed fund balance for District activities of \$65,008, Student Activities of \$169,427 and Sick Leave Liability of \$207,516. In FY 2020, the District transferred the School Activity funds from the fiduciary agency funds to a special revenue fund within the governmental funds.
- *Assigned fund balance*—amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board or a delegated entity has the authority to assign amounts to be used for specific purposes. Assigned fund balance in the General Fund includes amounts that have been appropriated for expenditures in the budget for the District's subsequent fiscal year. As of June 30, 2020, the District assigned \$163,786 for the FY2021 budget.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

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

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and any deferred outflows/inflows related to debt issued for capital financing. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by various schools and fees charged for day care services. All other revenues are non-operating. Operating expenses can be tied directly to the production of the goods and services, such as the materials and labor and direct overhead. Other expenses are non-operating.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Interfund Activity

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

Bond Issuance Costs

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows- contributions to the CERS and KTRS pension systems after the measurement period, differences between actual and estimated actuarial assumptions in the two pension systems (see Notes 6 and 7), and the unrecognized portion of a deferred loss on the refinancing of long-term debt (see Note 4).

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until appropriate period. The District reports one type of deferred inflows- those related to the net differences between projected and actual actuarial assumptions for pension and OPEB plans (see Notes 6 and 7).

New Accounting Pronouncements

GASB Statement No. 87, *Leases* (GASB 87), increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that lease are financings of the right to use an underlying asset. GASB 87 will be effective for fiscal years beginning after June 15, 2021. The District has not determined the financial impact of the implementation of GASBS No. 87.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2019. This standard requires the District to revise the reporting for its "agency" funds that include checking accounts for all the schools and their activity funds. Since the District provides administrative controls over these accounts, as required by the KDE Red Book, these funds were reclassified to Special Revenue funds and classified with other governmental funds of the District as the District implemented this standard in FY 2020. Other significant provisions of the standard will not affect the District.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for reporting periods beginning after June 15, 2019. This guidance revised the definition of debt for purposes of reporting in the note disclosures and expanded the required disclosures for direct borrowings and direct placements. The District implemented this standard for FY 2020, but these changes had a minimal impact on the District with only separate reporting.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. This standard will require similar recognition for right-to-use subscription intangible assets and a corresponding subscription liability that is provided for long-term leases in GASBS No. 87. The District will review its current IT subscription services to evaluate the impact of this standard, but since the recognized value for the intangible assets is generally the same as the corresponding subscription liability, there will be minimal financial impact for the District.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for fiscal years beginning after June 15, 2021 (457 plan reporting). This standard replaces the guidance in GASBS No. 32, the current standard for 457 plan reporting. The District will evaluate the impact of this standard on the District's deferred compensation plan offered to employees, but is likely to have minimal impact since the Kentucky Deferred Compensation Authority has its own governing board and provides the trust reporting for the plans offered to state and local government employees in Kentucky.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end, the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC Insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$10,858,576. The bank balance for the same time was \$12,487,205.

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

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

**NOTE 3 - CAPITAL ASSETS**

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$3,620,522	\$0	\$0	\$3,620,522
Construction in Progress	16,672,642	417,733	16,313,696	776,679
Total Capital Assets not being depreciated	20,293,164	417,733	16,313,696	4,397,201
Other Capital Assets				
Land Improvements	4,519,148	0	0	4,519,148
Buildings & Improvements	83,973,342	16,304,460	0	100,277,802
Technological Equipment	2,390,985	24,721	201,417	2,214,289
Vehicles	6,609,657	0	45,195	6,564,462
General Equipment	3,455,787	139,755	0	3,595,542
Infrastructure	136,126	0	0	136,126
Total Other Assets	101,085,045	16,468,936	246,612	117,307,369
Less accumulated depreciation for:				
Land Improvements	(3,261,867)	(130,637)	0	(3,392,504)
Buildings & Improvements	(35,694,656)	(2,048,478)	0	(37,743,134)
Technological Equipment	(2,363,064)	(10,869)	(201,417)	(2,172,516)
Vehicles	(3,665,036)	(376,751)	(31,545)	(4,010,242)
General Equipment	(3,381,786)	(24,824)	0	(3,406,610)
Infrastructure	(136,127)	0	0	(136,127)
Total accumulated depreciation	(48,502,536)	(2,591,559)	(232,962)	(50,861,133)
Other Capital Assets, net	52,582,509	13,877,377	13,650	66,446,236
Governmental Activities, net	\$72,875,673	\$14,295,110	\$16,327,346	\$70,843,437
Business Activities:				
Buildings & Improvements	\$1,610,376	\$0	\$0	\$1,610,376
Technological Equipment	24,427	0	0	24,427
Vehicles	36,702	0	0	36,702
General Equipment	1,519,824	110,684	199,598	1,430,910
Total	3,191,329	110,684	199,598	3,102,415
Less accumulated depreciation for:				
Buildings & Improvements	(926,891)	(47,679)	0	(974,569)
Technological Equipment	(24,427)	0	0	(24,427)
Vehicles	(36,702)	0	0	(36,702)
General Equipment	(1,154,827)	(64,272)	(72,383)	(1,146,716)
Total accumulated depreciation	(2,142,846)	(111,951)	(72,383)	(2,182,414)
Business Activities, net	\$1,048,483	(\$1,267)	\$127,215	\$920,001

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

**NOTE 3 - CAPITAL ASSETS (Cont'd)**

Depreciation expense was charged to functions of the governmental activities of the District as follows:

<b>Governmental Activities:</b>		
Instruction		\$1,988,913
Support Services:		
Student		8,040
District Administration		42,558
School Administration		15,909
Business		11,901
Plant Operations & Maintenance		124,890
Student Transportation		399,348
Total depreciation expense, governmental activities		\$2,591,559

**NOTE 4 – LONG-TERM DEBT AND LEASE OBLIGATIONS**

Bonds

The District, through the General Fund, the Building Fund, and the SEEK Capital Outlay Fund are obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Montgomery County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

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 below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The original amount of each issue, the issue date, interest rates, and outstanding balances of each bond are summarized below:

Issue	Proceeds	Rates	Maturity Dates	Outstanding Balance June 30, 2020
2010 QSBC	\$12,576,000	5.88%	12/1/2027	\$12,576,000
2011	5,035,000	1.70% - 2.90%	6/1/2023	3,070,000
2014	14,960,000	3.00% - 3.50%	9/1/2034	14,585,000
2014A	4,000,000	2.00% - 3.25%	12/1/2030	3,810,000
2014B	4,230,000	1.00% - 3.00%	3/1/2025	3,080,000
2015	2,385,000	2.00% - 2.50%	4/1/2026	1,830,000
2016	4,255,000	2.00%	9/1/2027	3,465,000
	\$47,441,000			\$42,416,000



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

**NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)**

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

Year	Montgomery County School District		Kentucky School Construction Commission		Federal Rebate QSCB	Total
	Principal	Interest	Principal	Interest	Interest	
2021	\$2,518,620	\$861,307	\$51,380	\$14,178	\$672,172	\$4,117,657
2022	2,582,256	801,696	52,744	12,815	714,317	4,163,828
2023	2,610,827	738,224	54,173	11,385	714,317	4,128,926
2024	2,649,805	656,202	35,195	9,916	714,317	4,065,435
2025	2,713,889	585,507	36,111	8,998	714,317	4,058,822
2026-2030	21,760,735	1,929,561	145,265	31,752	1,785,792	25,653,105
2031-2035	7,077,378	601,466	127,622	10,996	0	7,817,462
	<u>\$41,913,510</u>	<u>\$6,173,963</u>	<u>\$502,490</u>	<u>\$100,040</u>	<u>\$5,315,231</u>	<u>\$54,005,234</u>

**Capital Leases**

Following is an analysis of the leased property under capital lease through KISTA:

KISTA Issue	Maturity Dates	Interest Rates	2019			2020
			Outstanding Balance	Additions	Retirements	Outstanding Balance
Issue of 2009C	3/1/2020	2-3.6%	\$26,301	\$0	\$26,301	\$0
1st Issue of 2010	3/1/2020	1-3.3%	7,778	0	7,778	0
1st Issue of 2011	3/1/2021	1-4%	14,916	0	7,333	7,583
2nd Issue of 2011B	3/1/2021	1-3.6%	37,228	0	18,050	19,178
2nd Series of 2012	3/1/2022	.95-2.5%	108,068	0	39,239	68,829
First Series of 2013	3/1/2023	2%	239,665	0	63,647	176,018
Issue of 2014	3/1/2024	2-3%	299,414	0	61,259	238,155
Issue of 2015	3/1/2025	1-2.65%	371,815	0	62,250	309,565
Issue of 2016	3/1/2026	2-2.625%	272,825	0	37,617	235,208
Issue of 2017	3/1/2027	2.55%	182,225	0	21,728	160,497
Issue of 2019	3/1/2029	2.55%	437,806	0	46,542	391,264
Totals			<u>\$1,998,041</u>	<u>\$0</u>	<u>\$345,202</u>	<u>\$1,606,297</u>

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

**NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)**

Capital Leases (Cont'd)

The following is a schedule by years of the future minimum lease payments under KISTA capital lease together with the present value of the net minimum lease payments as of June 30, 2020:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
2021	\$360,395	\$40,516	\$400,911
2022	322,512	32,037	354,549
2023	284,281	24,468	308,749
2024	223,953	17,542	241,495
2025	167,837	11,602	179,439
2026-2029	247,319	14,620	261,939
	<u>\$1,606,297</u>	<u>\$140,785</u>	<u>\$1,747,082</u>

The following is an analysis of the leased property under capital leases by class at June 30, 2020:

<u>Class of Property</u>	<u>Amount</u>
Buses Book Value	\$1,255,204

KSBIT Payable

In 2013, the Kentucky School Board Insurance Trust (KSBIT) notified the District that its self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment was required, under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members, to fund the deficit and the transfer of liability to a qualified insurer/reinsurer.

On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of insurance using the novation option of funding. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will take over the future responsibility for all present and future claims. The District's liability under the novation method was estimated to be \$866,534. The District elected to make an initial payment of 30% of its assessment and finance the remaining liability over 6 years. The plan was approved in June 2014 and the first payment was due by August 31, 2014.

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

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

**NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)**

	06/30/19 Beginning Balance	Additions	Reductions	06/30/20 Ending Balance	Amounts Due Within One Year
Bonds	\$ 44,936,000	\$ -	\$ 2,520,000	\$ 42,416,000	\$ 2,570,000
Net Bond Premium (Discounts)	336,619	-	33,909	302,710	-
Capital Leases	1,998,041	-	391,744	1,606,297	360,395
Sick Leave	449,508	134,692	169,168	415,032	105,347
KSBIT Payable	151,556	-	75,778	75,778	75,778
Total	<u>\$ 47,871,724</u>	<u>\$ 134,692</u>	<u>\$ 3,190,599</u>	<u>\$ 44,815,817</u>	<u>\$ 3,111,520</u>

**NOTE 5 - COMMITMENTS UNDER NON-CAPITALIZED LEASES**

Commitments under operating lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$61,070

Expenditures for equipment under operating leases for the year ended June 30, 2020 totaled \$136,037.

**NOTE 6 - RETIREMENT PLAN**

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

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

Plan Description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky.

Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and the General Assembly of the Commonwealth has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

**NOTE 6 - RETIREMENT PLAN (cont'd)**

Benefits provided

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement  Reduced retirement	September 1, 2008 - December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87  At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement  Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87  Not available

Cost of living adjustments are provided at the discretion of the General Assembly. In 2013, the General Assembly established funding status thresholds which must be achieved before another COLA can be awarded to retirees. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions

Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

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

**NOTE 6 - RETIREMENT PLAN (cont'd)**

**General information about the Kentucky Teachers' Retirement System ("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 separate publicly available financial report that can be obtained from the KTRS website, at <https://trs.ky.gov/administration/financial-reports-information/>.

Benefits provided

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

**NOTE 6 - RETIREMENT PLAN (cont'd)**

Benefits provided (cont'd)

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees. 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 employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

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

**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 for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District in a special funding situation.

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

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

**NOTE 6 - RETIREMENT PLAN (cont'd)**

District's proportionate share of the net CERS pension liability	\$	16,200,196
Commonwealth's proportionate share of the net KTRS pension liability associated with the District		76,606,483
	\$	<u>92,806,679</u>

The net pension liability for each plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was .230344%. For the year ended June 30, 2020, the District recognized pension expense of \$1,586,793 related to CERS and a negative expense of \$8,008,656 related to KTRS. The District also recognized negative on-behalf revenue of \$8,008,656 for KTRS support provided by the Commonwealth paid directly to KTRS. KTRS has reported negative pension expense in both the 2018 and 2019 measurement periods.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 413,640	\$ 68,450
Changes of assumptions	1,639,644	-
Net difference between projected and actual earnings on pension plan investments	310,980	572,134
Changes in proportion and differences between District contributions and proportionate share of contributions	-	164,758
District contributions subsequent to the measurement date	1,128,452	-
	<u>\$ 3,492,716</u>	<u>\$ 805,342</u>

\$1,128,452 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 related to pensions will be recognized in pension expense as follows:

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

**NOTE 6 - RETIREMENT PLAN (cont'd)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (cont'd)**

Year ended June 30:

2021	\$1,057,429
2022	\$ 343,016
2023	\$ 139,948
2024	\$ 18,529
2025	\$ -

Actuarial assumptions

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

	CERS	KTRS
Inflation	2.30%	3.0%
Projected salary increases	3.30%-11.55%	3.5-7.3%
Investment rate of return, net of investment expense & inflation	6.25%	7.5%

For CERS, mortality tables were revised for the 2019 measurement based on an experience study completed in March 2019. The mortality table used for active members was the PUB-2010 General Mortality table, for the non-hazardous system, and the PUB-2010 Public Safety Mortality table for the Hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the table used is the 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.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females. The last experience study was performed for the period July 1, 2010 – June 30, 2015, was performed in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019.



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

**NOTE 6 - RETIREMENT PLAN (cont'd)**

Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. However, the expected returns in the following table are based on ten-year yields developed by the investment consultant based on their capital market analysis prior to the impact of COVID.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Ten-Year Expected Real Rate of Return</u>
<b>Growth:</b>	<b>62.50%</b>	
U. S. Equity	18.75%	4.30%
International Equity	18.75%	4.80%
Private Credit	10.00%	6.65%
High Yield Credit	15.00%	2.60%
<b>Liquidity:</b>	<b>14.50%</b>	
Core Bonds	13.50%	1.35%
Cash	1.00%	.20%
<b>Diversifying Strategies:</b>		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	

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

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

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

**NOTE 6 - RETIREMENT PLAN (cont'd)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.20%
International 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>	

*\*Includes High Yield, Non-US Developed Bonds, and Private Credit Strategies*

**Discount rate**

For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. In 2018, the Kentucky General Assembly allowed CERS employers to use a ten-year phase-in for the significant contribution increases that resulted when the earnings assumption was lowered from 7.5% to 6.25%. This phased-in approach is the current “statutory contribution rates” based on actuarial projections, but limited to no more than a 12% annual increase. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 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 the statutorily required rates 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 employees.

Therefore, the long- term expected rate of return on pension plan investments was applied to all periods of projected benefit payments.

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

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

**NOTE 6 - RETIREMENT PLAN (cont'd)**

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>
CERS	5.25%		6.25%		7.25%
District's proportionate share of net pension liability	\$ 20,261,850	\$	16,200,196	\$	12,814,847
KTRS	6.50%		7.50%		8.50%
District's proportionate share of net 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 both CERS and KTRS.

**Other Retirement Plans**

The District also offers employees the option to participate in defined contribution plans under Sections 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. These plans are administered by independent third-party administrators.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. 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 their 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 and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to the plans during the year totaled \$248,727. The District does not contribute to these plans.

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

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)**

The District's employees are provided with two OPEB plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree. Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and KTRS plans. The Kentucky Retirement System's publicly available financial report may be obtained from <http://kyret.ky.gov/>. KTRS issues a publicly available financial report that can be obtained at [http://www.trs.ky.gov/05\\_publications/index.htm](http://www.trs.ky.gov/05_publications/index.htm).

*CERS Other Postemployment Benefits*

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

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

Hazardous retirees receive \$15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the 2019 measurement period, CERS allocated 4.70% of the 19.18% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1% of the Tier 2 and 3 6% employee contributions are allocated to the health insurance plan.

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

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

*CERS Other Postemployment Benefits (cont'd)*

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

At June 30, 2020, the District reported a liability of \$3,873,290 for its proportionate share of the collective net CERS OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.230285%.

The amount recognized by the District as its proportionate share of the OPEB liability was \$3,873,290 as of June 30, 2020. For the year ended June 30, 2020, the District recognized OPEB expense of \$61,027.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,168,661
Changes of assumptions	1,146,142	7,664
Net difference between projected and actual earnings on OPEB plan investments	25,513	197,547
Changes in proportion and differences between District contributions and proportionate share of contributions	-	107,501
District contributions subsequent to the measurement date	278,312	-
	\$ 1,449,967	\$ 1,481,373

Of the total amount reported as deferred outflows of resources related to OPEB, \$278,312 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 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:

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

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

CERS Other Postemployment Benefits (cont'd)

Year ended June 30:

2021	\$ (50,925)
2022	\$ (50,925)
2023	\$ 3,772
2024	\$ (100,958)
2025	\$ (93,193)
Thereafter	\$ (17,489)

*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:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% - 10.30%, for non-hazardous, depending on years of service 3.55% to 19.05%, for hazardous, depending on years of service
Inflation rate	2.30%
Healthcare cost trend rates:	
Under 65	Initial trend starting at 7.00%, January 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 5.00%, January 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years
Municipal Bond Index Rate	3.62%
Discount Rate	5.68% non-hazardous and 5.69% hazardous

Mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used 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 PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees 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.

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

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

CERS Other Postemployment Benefits (cont'd)

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May 2019 for use with the June 30, 2019 valuation in order to reflect future economic expectations.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U. S. Equity	40.0%	4.2%
Non-U.S. Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories*	7.0%	3.2%
Real Estate	7.0%	3.8%
Private Equity	7.0%	6.3%
Cash	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

\* Includes high yield, non-US developed bonds, and private credit strategies

*Discount rate* – The single discount rate of 5.68% for CERS nonhazardous and 5.69% for CERS hazardous was used to measure the total OPEB liability as of June 30, 2019. The Single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2019. Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (24 years as of June 30, 2019) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system.

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

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

*CERS Other Postemployment Benefits (cont'd)*

However, the cost associated with the implicit employer subsidy is not currently included in the calculation of the System's actuarial determined contributions and any cost associated with the implicit subsidy is not paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.68%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>
	4.68%		5.68%		6.68%
District's proportionate share of net OPEB liability	\$ 5,188,615	\$	3,873,290	\$	2,789,549

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

	<u>1% Decrease</u>		<u>Current Health Care Trend Rate</u>		<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ 2,880,586	\$	3,873,290	\$	5,077,062

The Kentucky Retirement System's publicly available financial report may be obtained from <http://kyret.ky.gov/>.



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

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

*KTRS Postemployment Health Care Benefits*

The Commonwealth of Kentucky (State) reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the KTRS Medical Insurance and Life Insurance Plans. The following information is about the KTRS plans:

**Plan description**—In addition to the pension benefits described in Note 7, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

**Benefits Provided**—To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

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

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

At June 30, 2020, the District reported a liability of \$8,719,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was .297907%.

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

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

*KTRS Postemployment Health Care Benefits (cont'd)*

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

District's proportionate share of the net KTRS OPEB liability	\$	8,719,000
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District		<u>7,041,000</u>
Total	\$	<u><u>15,760,000</u></u>

For the year ended June 30, 2020, the District recognized a decrease in OPEB expense of \$423,592 as the liability decreased, deferred outflows and inflows increased, and deferred contributions increased. In addition, the District recognized on-behalf revenue and expenses of \$418,917 for support provided by the State as a nonemployer contributing entity. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$	2,110,000
Changes of assumptions	232,000		-
Net difference between projected and actual earnings on OPEB plan investments	37,000		-
Changes in proportion and differences between District contributions and proportionate share of contributions	-		974,000
District contributions subsequent to the measurement date	<u>526,330</u>		-
	<u>\$ 795,330</u>	\$	<u><u>3,084,000</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$526,330 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 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:

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

*KTRS Postemployment Health Care Benefits (cont'd)*

Year ended June 30:

2021	\$ (551,000)
2022	\$ (551,000)
2023	\$ (532,000)
2024	\$ (536,000)
2025	\$ (415,000)
Thereafter	\$ (230,000)

*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:

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	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont’d)**

*KTRS Postemployment Health Care Benefits (cont’d)*

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 KTRS’s investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Additional Categories*	17.0%	3.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Cash	<u>1.0%</u>	.9%
Total	<u>100.0%</u>	

*\*Includes high yield, non-US developed bonds, and private credit strategies*

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

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

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

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

KTRS Postemployment Health Care Benefits (cont'd)

	1% Decrease		Current Discount Rate		1% Increase
	7.00%		8.00%		9.00%
District's proportionate share of MIF net OPEB liability	\$ 10,329,000	\$	8,719,000	\$	7,371,000

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

	1% Decrease		Current Health Care Trend Rate 1.02%-7.75%		1% Increase
District's proportionate share of net OPEB liability	\$ 7,098,000	\$	8,719,000	\$	10,713,000

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

KTRS Postemployment Life Insurance Benefits

*Plan description – Life Insurance Plan* – KTRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The KTRS 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 KTRS Board of Trustees and the General Assembly.

*Benefits provided* – KTRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. KTRS 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.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

*KTRS Postemployment Life Insurance Benefits (cont'd)*

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

District's proportionate share of the net KTRS OPEB liability	\$	-
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District		164,000
	\$	<u>164,000</u>

The collective net OPEB liability for life insurance was based on an actuarial valuation performed as of June 30, 2019. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the State's long-term share of contributions to the State's life insurance plan for District employees relative to the projected contributions for all employees, actuarially determined. For the year ended June 30, 2020, the District recognized OPEB revenue and expense of \$6,916 for support provided by the State.

*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:

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience which covered the five-year period ending June 30, 2015.

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

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont’d)**

*KTRS Postemployment Life Insurance Benefits (cont’d)*

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 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 KTRS’s investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S Equity	40.0%	4.3%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Additional Categories*	6.0%	3.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Cash	<u>2.0%</u>	.9%
Total	<u>100.0%</u>	

*\*Includes high yield, non-US developed bonds, and private credit strategies*

*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* – KTRS issues a publicly available financial report that can be obtained at [http://www.tr.s.ky.gov/05\\_publications/index.htm](http://www.tr.s.ky.gov/05_publications/index.htm).

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

**NOTE 8 – ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. At June 30, 2020, this amount totaled \$415,032. The District follows a policy of funding up to one-half of the total amount accrued as a commitment of the General Fund balance.

**NOTE 9 - INSURANCE AND RELATED ACTIVITIES**

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

**NOTE 10 - CONTINGENCIES**

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon 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 to refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs. In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage.



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

**NOTE 11 - RISK MANAGEMENT (cont'd)**

Contributions to the Workers' Compensation Fund are based on premium rates established by such a fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past several fiscal years.

**NOTE 12 - 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 (contingency).

**NOTE 13 - DEFICIT OPERATING/ FUND BALANCES**

As of June 30, 2020 the Food Service and Day Care Funds are operating as deficit fund balances of \$264,149 and \$665,562, respectively. The following funds had operations that resulted in a current year deficit after transfers and other financing sources (see Note 14) resulting in the following reductions of fund balances:

Construction Fund	\$297,975
Food Service Fund	\$167,010
General Fund	\$509,714

**NOTE 14 – INTERFUND TRANSACTIONS**

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS & Grant Match	\$88,151
General	District Activity	Athletics	\$7,354
Special Revenue	General	Indirect Costs	\$11,882
Capital Outlay	General	Capital Outlay	\$395,963
Building Fund	Debt Service	Debt Service	\$3,962,916
Building Fund	Construction	Capital Outlay	\$91,326
Building Fund	General	Capital Outlay	\$69,394
Food Service	General	Indirect Costs	\$150,326

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

**NOTE 15 - ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2020, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Kentucky Teachers Retirement System	\$ 6,190,891
Health & Life Insurance	4,413,851
Technology	104,933
Debt Service	<u>65,558</u>
<b>Recognized at the Fund Level</b>	<b>\$ <u>10,775,233</u></b>
Additional pension & OPEB expense recognized at the Government-Wide Level	<u>\$ (7,905,656)</u>
<b>Total On-Behalf</b>	<b>\$ <u><u>2,869,577</u></u></b>

These payments were recorded in the appropriate revenue and expense accounts on the statement of revenue, expenses, and changes in fund balance as follows:

General Fund	\$ 10,472,681
Food Service Fund	179,340
Childcare Fund	57,654
Debt Service Fund	<u>65,558</u>
Total	<b>\$ <u><u>10,775,233</u></u></b>

**NOTE 16– LITIGATION**

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

**NOTE 17– SUBSEQUENT EVENTS**

In preparing these financial statements, management of the District has evaluated events and transaction for potential recognition or disclosure through November 16, 2020, the date the financial statements were available to be issued.

**NOTE 18 – PRIOR PERIOD ADJUSTMENT – CHANGE IN ACCOUNTING PRINCIPLE**

The District implemented one new GASB standards in FY 2020—GASBS No. 84, *Fiduciary Activities*. GASBS No. 84 and KDE policy requires the District to shift reporting for school activity funds from fiduciary agency funds to a special revenue fund. The following table outlines the prior period adjustments necessary to implement this standard.

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

**NOTE 18 – PRIOR PERIOD ADJUSTMENT – CHANGE IN ACCOUNTING PRINCIPLE  
(Cont'd)**

	Governmental Activities	Fiduciary Funds
Net position of governmental activities, as previously reported	\$ -	\$ -
Due to Student Groups	-	156,071
Agency Funds Reclassified to Special Revenue	156,071	(156,071)
Net Change in Beginning Net Position	156,071	(156,071)
Net position, June 30, 2019, Restated	\$ 156,071	\$ -

The Impact on governmental and fiduciary balances is outlined in the following table:

	School Activity Fund	Fiduciary Funds
Fund Balance, as previously reported	\$ -	\$ -
Due to Student Groups	-	156,071
Adjustments:		
Agency Funds Reclassified to School Activity Fund	156,071	(156,071)
Fund Balance, July 1, as restated	\$ 156,071	\$ -

**NOTE 19 – RISKS AND UNCERTAINTIES**

During the year ended June 30, 2020, the World Health Organization declared the coronavirus disease (COVID-19) outbreak to be a pandemic. COVID -19 continues to spread across the globe and is impacting worldwide economic activity. The continued spread of the disease represents a significant risk that operations will continue to be disrupted for the foreseeable future. The full extent to which COVID-19 impacts the District will depend on future developments which are highly uncertain and cannot be predicted.

MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTAL SCHEDULES

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>						
District's proportion of the net pension liability	0.230344%	0.234754%	0.235486%	0.236870%	0.242120%	0.244600%
District's proportionate share of the net pension liability	\$ 16,200,196	\$ 14,297,234	\$ 13,783,720	\$ 11,662,793	\$ 10,410,081	\$ 7,936,000
District's covered-employee payroll	\$ 5,585,372	\$ 5,763,039	\$ 5,595,830	\$ 5,697,660	\$ 5,650,548	\$ 5,692,338
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290.05%	248.08%	246.32%	204.69%	184.23%	139.42%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>						
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%
District's proportionate share of the net pension liability	-	-	-	-	-	-
State's proportionate share of the net pension liability associated with the District	\$ 76,606,483	\$ 77,750,825	\$ 172,778,606	\$ 188,334,884	\$ 144,885,786	\$ 132,528,897
Total	<u>\$ 76,606,483</u>	<u>\$ 77,750,825</u>	<u>\$ 172,778,606</u>	<u>\$ 188,334,884</u>	<u>\$ 144,885,786</u>	<u>\$ 132,528,897</u>
District's covered-employee payroll	\$ 19,503,223	\$ 19,505,691	\$ 20,300,644	\$ 21,347,513	\$ 21,427,288	\$ 20,360,393
District's proportionate share of the 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 the total pension liability	58.80%	59.30%	56.40%	54.60%	55.30%	53.60%

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

**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>							
Contractually required contribution	\$ 1,128,452	\$ 954,712	\$ 842,496	\$ 799,824	\$ 672,973	\$ 722,892	\$ 1,060,021
Contributions in relation to the contractually required contribution	<u>1,128,452</u>	<u>954,712</u>	<u>842,496</u>	<u>799,824</u>	<u>672,973</u>	<u>722,892</u>	<u>1,060,021</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 5,846,856	\$ 5,887,232	\$ 5,763,039	\$ 5,595,830	\$ 5,697,660	\$ 5,650,548	\$ 5,692,338
District's contributions as a percentage of its covered-employee payroll	19.30%	16.22%	14.62%	14.29%	11.81%	12.79%	18.62%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 19,656,907	\$ 19,503,223	\$ 19,505,691	\$ 20,300,644	\$ 21,347,513	\$ 21,427,288	\$ 20,360,393
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION  
FOR THE YEAR ENDED JUNE 30, 2020**

**COUNTY EMPLOYEES RETIREMENT SYSTEM:**

Changes of Benefit Terms -

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for member whose participation date is on or after January 1, 2014

Actuarial Methods and Assumptions:

The actuarially determined contribution rates are determined on an annual basis using the actuarial valuation conducted two years prior to the year in which the contribution will be assessed. The amortization period for the unfunded liability was reset as of July 1, 2013, to a closed 30-year period.

The 2019 actuarial valuation used update mortality tables for all categories of members and beneficiaries and a system-specific mortality table for non-disabled retirees. In 2019, mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used 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 PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees 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. Previous valuations were based on RP-2000 Combined Mortality Tables.

For the 2017 actuarial valuation, several key actuarial assumptions were revised. Changes in assumptions prior to 2016 provided minor adjustments to the actuarial measurements. The following table outlines the actuarial methods and assumptions that were used in 2019 and 2016 to determine contribution rates reported for all systems:

<b>Assumption</b>	<b>2017 Valuation</b>	<b>2016 Valuation</b>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level of Percentage of Payroll, closed	Level of Percentage of Payroll, closed
Remaining Amortization Period	26 Years	27 Years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Post-retirement benefit adjustments	0.00%	0.00%
Inflation	<b>2.30%</b>	<b>3.25%</b>
Salary Increase	<b>3.3% to 11.55%</b> varies by service), average, including Inflation	<b>4%</b> , average, including Inflation
Investment Rate of Return	<b>6.25%</b> , Net of Pension Plan Investment Expense, including Inflation	<b>7.5%</b> , Net of Pension Plan Investment Expense, including Inflation

**KENTUCKY TEACHER'S RETIREMENT SYSTEM:**

Changes of Benefit Terms - None

Changes of Assumptions:

The 2018 actuarial analysis for KTRS indicated that cash flows for the system would be sufficient to pay benefits in all periods. As a result, the discount rate for the 2018 study was the same as the long-term expected yield of 7.5%. In 2017, the analysis used a blended rate of 4.49% which included the application of the municipal bond index to periods after 2038.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2020 (2019)	2019 (2018)	2018 (2017)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>			
District's proportion of the net OPEB liability	0.230285%	0.234754%	0.235486%
District's proportionate share of the net OPEB liability	\$ 3,873,290	\$ 4,167,851	\$ 4,734,074
District's covered-employee payroll	\$ 5,585,372	\$ 5,763,039	\$ 5,595,830
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	69.35%	72.32%	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.40%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>			
District's proportion of the net OPEB liability	0.297907%	0.304759%	0.335595%
District's proportionate share of the net OPEB liability	8,719,000	10,574,000	11,967,000
State's proportionate share of the net OPEB liability associated with the District	\$ 7,041,000	\$ 9,113,000	\$ 9,775,000
Total	<u>\$ 15,760,000</u>	<u>\$ 19,687,000</u>	<u>\$ 21,742,000</u>
District's covered-employee payroll	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	50.44%	54.21%	58.95%
Plan fiduciary net position as a percentage of the total OPEB liability	32.58%	25.50%	26.70%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.  
**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.



**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019	2018	2017
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>				
Contractually required contribution	\$ 278,312	\$ 309,605	\$ 273,462	\$ 271,195
Contributions in relation to the contractually required contribution	<u>278,312</u>	<u>309,605</u>	<u>273,462</u>	<u>271,195</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 5,846,856	\$ 5,887,232	\$ 5,763,039	\$ 5,595,830
District's contributions as a percentage of its covered-employee payroll	4.76%	5.26%	4.75%	4.85%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>				
Contractually required contribution	\$ 526,330	\$ 518,738	\$ 542,872	\$ 574,968
Contributions in relation to the contractually required contribution	<u>526,330</u>	<u>518,738</u>	<u>542,872</u>	<u>574,968</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 17,482,025	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's contributions as a percentage of its covered-employee payroll	3.01%	3.00%	2.78%	2.83%

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - MEDICAL INSURANCE PLAN  
 FOR THE YEAR ENDED JUNE 30, 2020**

**COUNTY EMPLOYEES RETIREMENT SYSTEM:**

Valuation Date: June 30, 2019

**Changes in actuarial assumptions:**

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions which were changed from the 2016 actuarial valuation, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4% average
Inflation rate	3.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal bond index rate	3.56%
Discount rate	5.84%

**KENTUCKY TEACHER'S RETIREMENT SYSTEM:**

Valuation Date: June 30, 2019

**2017 Changes to benefit terms:**

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

**2019 Changes to assumptions:**

The State's biennial budget for the two years ended June 30, 2020, included the actuarially determined contribution (ADC) rate for the TRS of Ky system plus additional contributions to address the shortfall from previous years. The actuarial analysis for the June 30, 2019 measurement included an assumption that future state contributions would be based on the ADC which provides sufficient funding for all future periods. As a result, TRS used the long-term rate of return, 7.5%, as the 2019 discount rate instead of a blended rate that included the municipal bond index for certain future periods.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - LIFE INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2020 (2019)	2019 (2018)	2018 (2017)
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>			
District's proportion of the net OPEB liability	0%	0%	0%
District's proportionate share of the net OPEB liability	-	-	-
State's proportionate share of the net OPEB liability associated with the District	\$ 164,000	\$ 156,000	\$ 131,000
Total	<u>\$ 164,000</u>	<u>\$ 156,000</u>	<u>\$ 131,000</u>
District's covered-employee payroll	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's proportionate share of the 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 the total OPEB liability	73.40%	75.00%	87.80%

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

**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS - LIFE INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2020**

	2020	2019	2018	2017
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 17,482,025	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - LIFE INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2020**

**KENTUCKY TEACHER'S RETIREMENT SYSTEM:**

Valuation Date: June 30, 2019

**Changes to benefit terms:**

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

MONTGOMERY COUNTY SCHOOL DISTRICT  
SUPPLEMENTAL SCHEDULES

**MONTGOMERY COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 64,113	\$ 168,333	\$ -	\$ 21,100	\$ -	\$ 253,546
Accounts receivable	895	1,094	-	-	-	1,989
<b>TOTAL ASSETS</b>	<b>\$ 65,008</b>	<b>\$ 169,427</b>	<b>\$ -</b>	<b>\$ 21,100</b>	<b>\$ -</b>	<b>\$ 255,535</b>
<b>LIABILITIES:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>						
Committed	65,008	169,427	-	-	-	234,435
Restricted	-	-	-	21,100	-	21,100
<b>TOTAL FUND BALANCES</b>	<b>65,008</b>	<b>169,427</b>	<b>-</b>	<b>21,100</b>	<b>-</b>	<b>255,535</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 65,008</b>	<b>\$ 169,427</b>	<b>\$ -</b>	<b>\$ 21,100</b>	<b>\$ -</b>	<b>\$ 255,535</b>

**MONTGOMERY COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020**

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
From local sources:						
Taxes:						
Property	\$ -	\$ -	\$ -	2,463,912	\$ -	2,463,912
Earnings on investments	-	-	-	-	622	622
Fees	5,684	-	-	-	-	5,684
Other	273,050	411,408	-	-	27,810	712,268
Intergovernmental - State	-	-	395,963	1,659,724	-	2,055,687
<b>TOTAL REVENUES</b>	<u>278,734</u>	<u>411,408</u>	<u>395,963</u>	<u>4,123,636</u>	<u>28,432</u>	<u>5,238,173</u>
<b>EXPENDITURES:</b>						
Current:						
Instruction	194,967	398,052	-	-	-	593,019
Instructional staff support	84,545	-	-	-	-	84,545
Capital Outlay	-	-	-	-	417,733	417,733
<b>TOTAL EXPENDITURES</b>	<u>279,512</u>	<u>398,052</u>	<u>-</u>	<u>-</u>	<u>417,733</u>	<u>1,095,297</u>
Excess (Deficit) of Revenues over Expenditures	<u>(778)</u>	<u>13,356</u>	<u>395,963</u>	<u>4,123,636</u>	<u>(389,301)</u>	<u>4,142,876</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers in	7,354	-	-	-	91,326	98,680
Operating transfers out	-	-	(395,963)	(4,123,636)	-	(4,519,599)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>7,354</u>	<u>-</u>	<u>(395,963)</u>	<u>(4,123,636)</u>	<u>91,326</u>	<u>(4,420,919)</u>
Net Change in Fund Balances	6,576	13,356	-	-	(297,975)	(278,043)
Fund balance - beginning of year	58,432	-	-	21,100	297,975	377,507
Prior Period Adjustment (See Note #18)	-	156,071	-	-	-	156,071
Fund balance - beginning of year	<u>58,432</u>	<u>156,071</u>	<u>-</u>	<u>21,100</u>	<u>297,975</u>	<u>533,578</u>
Fund balance - end of year	<u>\$ 65,008</u>	<u>\$ 169,427</u>	<u>\$ -</u>	<u>\$ 21,100</u>	<u>\$ -</u>	<u>\$ 255,535</u>



**MONTGOMERY COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS  
 AND FUND BALANCES  
 SCHOOL ACTIVITY FUNDS  
 For The Year Ended June 30, 2020**

	Due to Student Groups June 30, 2019	Revenues	Expenses	Due to Student Groups June 30, 2020
Montgomery Co. High School	\$ 77,252	\$ 223,675	\$ 221,722	\$ 79,206
McNabb Middle School	23,628	61,142	59,612	25,158
Northview Elementary	16,041	27,551	26,494	17,098
Mapleton Elementary	17,096	34,043	33,336	17,803
Mt Sterling Elementary	11,928	39,549	33,736	17,741
Camargo Elementary	9,775	24,672	22,226	12,221
Camargo Charitable Gaming	100	33	33	100
Mt. Sterling Elem. Charitable Gaming	250	743	893	100
	<u>\$ 156,070</u>	<u>\$ 411,408</u>	<u>\$ 398,052</u>	<u>\$ 169,427</u>

**MONTGOMERY COUNTY BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
MONTGOMERY COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

ACCOUNTS:	Due to Student Groups June 30, 2019	Revenues	Expenses	Due to Student Groups June 30, 2020
Musical	\$ 4,086	\$ 4,708	\$ 5,205	\$ 3,589
Student Scholarship Fund	166	334	500	-
Art	507	30	305	232
Bass Fishing	838	3,635	4,402	71
Boys Bowling	2,221	2,549	3,243	1,527
Girls Bowling	1,629	1,981	2,242	1,368
Band	3,187	44,444	46,442	1,189
Boys Basketball	549	3,397	3,799	147
BETA	714	3,335	3,370	679
Black & Hispanic Achiever	-	21,494	10,806	10,688
Chess	7	1,082	-	1,089
Co-Ed-Y	1,364	32,489	32,059	1,794
Social Fund	86	790	125	751
FFA	35	10,262	10,297	-
FCCLA	806	3,369	3,233	942
French	26	-	26	-
General	472	1,578	542	1,508
Kids Count (YSC)	5,060	2,848	5,059	2,849
Mock Trial	596	3,039	2,580	1,055
Family & Consumer Science	3,901	2,578	1,298	5,181
Horticulture	3,015	1,754	4,769	-
Math Department	-	-	-	-
English Department	79	-	79	-
JORTC	4,334	3,259	1,316	6,277
Guidance	7,514	24,420	27,118	4,816
STLP	659	-	28	631
Student Vending	-	-	-	-
Faculty Vending	1,850	3,055	3,391	1,514
Newspaper	538	-	538	-
Orchestra	774	2,040	200	2,614
Class of 2019	-	-	-	-
Class of 2020	4,926	4,398	9,324	-
Class of 2021	4,066	1,870	580	5,356
Class of 2022	1,766	3,881	1,405	4,242
Class of 2023	-	822	-	822
Spanish	-	-	-	-
Acedemic Team	10	570	460	120
Student Council	96	-	-	96
Vocal Music	1,645	925	1,700	870
Vocational Agriculture	1,574	350	145	1,779
Engineering Class	752	340	357	735
Drama Club	260	-	260	-
The Tribe Shop	1,829	13,199	14,842	186

**MONTGOMERY COUNTY BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
MONTGOMERY COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

ACCOUNTS:	Due to Student Groups June 30, 2019	Revenues	Expenses	Due to Student Groups June 30, 2020
FMD	\$ 418	\$ 405	\$ 336	\$ 487
MCHS Book Club	1,332	1,647	1,935	1,044
Girls Basketball	747	1,981	2,169	559
Softball	758	4,246	3,163	1,841
Volleyball	413	710	842	281
Swim	1,111	281	924	468
Baseball	400	3,781	3,589	592
Cheer	700	281	616	365
Tennis	349	281	50	580
Archery	914	1,981	1,593	1,302
Football	486	281	-	767
Girls Soccer	1,281	314	901	694
Cross Country	888	281	82	1,087
Boys Golf	700	281	-	981
Girls Golf	700	281	633	348
Boys Soccer	950	1,256	1,925	281
Wrestling	700	281	919	62
Track	449	281	-	730
<b>TOTALS</b>	<b>\$ 77,252</b>	<b>\$ 223,675</b>	<b>\$ 221,722</b>	<b>\$ 79,206</b>

**MONTGOMERY COUNTY SCHOOLS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<b>Passed Through Kentucky Department of Education</b>			
<b>United States Department of Education</b>			
<i>Special Education Cluster (IDEA)-Cluster</i>			
Special Education_Grants to States			
Special Education_Grants to States	84.027	3810002-18	\$ 179,943
Special Education_Grants to States	84.027	3810002-19	836,175
Total Special Education_Grants to States			<u>1,016,118</u>
Special Education_Preschool Grants			
Special Education_Preschool Grants	84.173	3800002-19	52,677
Total Special Education_Preschool Grants			<u>52,677</u>
<i>Total Special Education Cluster (IDEA)-Cluster</i>			<u>1,068,795</u>
Title I Grants to Local Educational Agencies			
Title I Grants to Local Educational Agencies	84.010	3100002-17	536
Title I Grants to Local Educational Agencies	84.010	3100102-17	4
Title I Grants to Local Educational Agencies	84.010	3100002-18	2,097
Title I Grants to Local Educational Agencies	84.010	3100102-18	110,511
Title I Grants to Local Educational Agencies	84.010	3100102-19	1,660,708
Title I Grants to Local Educational Agencies	84.010	3100002-19	818
Total Title I Grants to Local Educational Agencies			<u>1,774,674</u>
English Language Acquisition Grants			
English Language Acquisition Grants	84.365	3300002-18	4,247
English Language Acquisition Grants	84.365	3300002-19	7,285
Total English Language Acquisition Grants			<u>11,532</u>
Adult Education - Basic Grants to States			
Adult Education - Basic Grants to States	84.002	COMMUNITY BASED WORK TRANSITION PR--371E	68,263
Total Adult Education - Basic Grants to States			<u>68,263</u>
Rural Education	84.358	RURAL & LOW INCOME--350F	88,457
Total Rural Education			<u>88,457</u>
Career and Technical Education -- Basic Grants to States			
Career and Technical Education -- Basic Grants to States	84.048	3710002-19	31,362
Total Career and Technical Education -- Basic Grants to States			<u>31,362</u>
Improving Teacher Quality State Grants			
Improving Teacher Quality State Grants	84.367	3230002-18	22,837
Improving Teacher Quality State Grants	84.367	3230002-19	186,630
Total Improving Teacher Quality State Grants			<u>209,467</u>
Student Support and Academic Enrichment Program			
Student Support and Academic Enrichment Program	84.424	3420002-17	8,549
Student Support and Academic Enrichment Program	84.424	3420002-18	27,670
Student Support and Academic Enrichment Program	84.424	3420002-19	95,480
Total Student Support and Academic Enrichment Program			<u>131,699</u>

The accompanying notes are an integral part of this schedule

**MONTGOMERY COUNTY SCHOOLS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2020**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Migrant Education_State Grant Program			
Migrant Education_State Grant Program	84.011	3110002-19	\$ 84,243
Migrant Education_State Grant Program	84.011	3110002-20	38,461
Total Migrant Education_State Grant Program			<u>122,704</u>
 ESSER FUNDS			
		COVID-19 Elementary & Secondary Emergency Relief Fund	
ESSER FUNDS	84.425D		109,326
Total ESSER FUNDS			<u>109,326</u>
<b>Total Department of Education</b>			<u>3,616,279</u>
 United States Department of Agriculture			
National School Lunch Program			
National School Lunch Program	10.555	4002833	123,954
National School Lunch Program	10.555	7750002-19	339,367
National School Lunch Program	10.555	7750002-20	1,037,544
School Breakfast Program	10.553	7760005-19	134,413
School Breakfast Program	10.553	7760005-20	383,692
State Administrative Expenses	10.560	7700001-19	1,870
Child and Adult Care Food Program	10.558	7790021-19	13,584
Child and Adult Care Food Program	10.558	7790021-20	58,784
Child and Adult Care Food Program	10.558	7800016-19	918
Child and Adult Care Food Program	10.558	7790021-20	4,205
Summer School Feeding Program	10.559	7690024-19	2,797
Summer School Feeding Program	10.559	7690024-20	38,037
Summer School Feeding Program	10.559	7740023-19	26,830
Summer School Feeding Program	10.559	7740023-20	419,354
<b>Total United States Department of Agriculture</b>			<u>2,585,349</u>
 Department of Defense			
ROTC			
ROTC	12.000	504D	72,575
<b>Total Department of Defense</b>			<u>72,575</u>
 Department of Health and Human Services			
Child Care and Development Block Grant			
		COVID-19 CHILD CARE DEVELOPMENT BLOCK Grant	
Child Care and Development Block Grant	93.575		201,150
		COVID-19 CHILD CARE DEVELOPMENT BLOCK Grant	
Child Care and Development Block Grant	93.575		21,000
Total Child Care and Development Block Grant			<u>222,150</u>
<b>Total Department of Health and Human Services</b>			<u>222,150</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,496,353</u>

The accompanying notes are an integral part of this schedule

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2020**

**NOTE 1- BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Montgomery County School District under the programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of operations of the Montgomery County School 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**

- 1) 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.
  
- 2) Montgomery School District did not elect to use the 10% de minimus indirect cost rate.

**NOTE 3 – FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2020, the District received food commodities totaling \$123,954.

**SUMMERS, MCCRARY & SPARKS, P.S.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

AMERICAN INSTITUTE  
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OF CERTIFIED PUBLIC ACCOUNTANTS

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THOMAS S. SPARKS, CPA  
RYAN R. LASKI, CPA

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SUSAN A. LACY, CPA  
JUSTIN B. NICHOLS, CPA  
EMILY N. JACKSON, CPA  
ALEX R. LEE, CPA

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LAURENCE T. SUMMERS  
1961-1992

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

To the Kentucky State Committee for School District Audits  
Members of the Board of Education  
Montgomery County School District  
Mt. Sterling, KY 40353

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Montgomery County School District's basic financial statements, and have issued our report thereon dated November 16, 2020.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we reported to management for the District in a separate letter dated November 16, 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.

*Summers, McCrary & Sparks, PSC*

Lexington, KY  
November 16, 2020



**SUMMERS, MCCRARY & SPARKS, P.S.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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LAURENCE T. SUMMERS  
1961-1992

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

To the Kentucky State Committee for School District Audits  
Members for the Board of Education  
Montgomery County School District  
Mt. Sterling, KY 40353

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

We have audited the Montgomery County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Montgomery County School District's major federal programs for the year ended June 30, 2020. Montgomery County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Montgomery County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards 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 Montgomery County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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.

*Summers, McCrary & Sparks, PSC*

Lexington, KY  
November 16, 2020

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

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued - unmodified

Internal control over financial reporting:

Material weakness(es) identified?            yes      X  no

Significant deficiencies identified            yes      X  none reported

Noncompliance material to financial statements noted?            yes      X  no

**Federal Awards**

Internal control over majority programs:

Material weakness(es) identified?            yes      X  no

Significant deficiencies identified            yes      X  none reported

Type of auditor's report issued on compliance for the major programs - unmodified

Any audit findings disclosed that are required to be report in accordance with 2 CFR section 200.516 (a)?            yes      X  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster
84.367	Improving Teacher Quality
84.424	Student Support and Academic Enrichment

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

Auditee qualified as low-risk auditee?            yes      X  no

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

**Section II – Financial Statement Findings**

No findings in the current year.

**Section III – Federal Award Findings and Questioned Costs**

No findings in the current year.

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

**Financial Statement Findings**

2019-001 Publication

Condition: District did not publish the budget in the newspaper.

Criteria: School district budget – KRS 424.250

Cause: The District did not publish the budget.

Effect: Noncompliance with Kentucky Revised Statutes.

Recommendation: At the same time copies of the budget are filed with the clerk of the tax levying authority for the district, the budget should be published in a newspaper.

Status: No similar findings this year

2019-002 Salaries

Condition: An employee was not paid in accordance with the approved salary schedule.

Criteria: Observance of approved single salary schedule – KRS 157.320(12), KRS 157.50(3), and 702 KAR 3:070

Cause: An employee was paid more than the approved rate.

Effect: Noncompliance with Kentucky Revised Statutes and over payment of employees.

Recommendation: Finance personnel should ensure pay rates match the approved salary schedule.

Status: No similar findings this year

**Federal Award Findings and Questioned Costs**

No findings in the prior year.

SUMMERS, MCCRARY & SPARKS, P.S.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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LAURENCE T. SUMMERS  
1961-1992

Members of the Board of Education  
Montgomery County School District  
Mt. Sterling, Kentucky

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 16, 2020 on the financial statements of the Montgomery 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 we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
November 16, 2020

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
JUNE 30, 2020**

**BOARD**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**SCHOOL ACTIVITY FUNDS**

**MONTGOMERY COUNTY HIGH SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**McNABB MIDDLE SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**MAPLETON ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**MT. STERLING ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**CAMARGO ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**NORTHVIEW ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**STATUS OF PRIOR YEAR COMMENTS**

**BOARD**

- Previously, during testing of payroll we noted an employee had not signed their contract. No similar finding occurred in the current year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
JUNE 30, 2020**

**MONTGOMERY COUNTY HIGH SCHOOL**

- Previously, Accounts Receivable, we found multiple instances of funds being remitted prior to June 30 but not being recorded until after June 30. We recommend the bookkeeper review the "Receipts" section of the "Redbook", which states, "All money collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the money is collected after school business hours for evening or weekend events, on the next business day." No similar findings occurred in the current year.