Menifee County School District

Audited Financial Statements
and Required Supplementary Information

June 30, 2020

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SUMMERS, MCCRARY & SPARKS, P.S.C.
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INDEPENDENT AUDITOR'S REPORT

To the Kentucky State Committee of School District Audits
Members of the Board of Education
Menifee County School District
Frenchburg, KY 40322

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 Menifee 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 Menifee 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 62–70 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 Menifee 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 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 2, 2020, on our consideration of Menifee County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Change in Accounting Principle

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 2, 2020

MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020

As management of the Menifee County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The General fund has $9,251,933 in revenue, which primarily consisted of the state program (SEEK), property, utilities, franchise and motor vehicle taxes. Excluding inter-fund transfers, there was $9,689,299 in General Fund expenditures. This includes on-behalf payments of $3,056,215.

The beginning General Fund balance was $1,630,268. The ending balance for the General Fund was $1,178,073 for June 30, 2020, noting a decrease of $452,195 from addressing District-wide facilities needs and personnel needs.

The District approved a nickel increase in property taxes, resulting in a tax rate of .534 cents per $100 for real estate and .534 for tangible property. This will enable the school district to increase the amount of funding that can be used for facility purposes. In addition to the increase of bonding potential from the nickel tax increase, the Menifee County School District received GAP funding in the amount of $7,650,300 from the state legislation, for a total of $15,025,300 to construct a new elementary school facility.

On August 30, 2018, the Menifee County School District purchased 114.85 acres of land on Wynn Flat Road and County Park Road to construct the new facility.

On May 21, 2019, the Menifee County Board of Education issued Revenue Bonds totaling $14,355,000 for Phase I of the construction of a new K-8 facility, Menifee Central. On October 29, 2019, the Menifee County Board of Education approved the sale of $2,750,000 of revenue bonds for the construction of Phase II of Menifee Central. The school is scheduled to be completed by June 2021, allowing all students kindergarten through 8th grade begin the 2020-2021 school year in a new 21t Century building. The Menifee County Elementary School is scheduled to be demolished in the fall of 2021.

The Menifee County School District continues to make student achievement our highest priority. We have 1 to1 devices in the hands of all students across the school district. We have lead the region in implementing a PLP online instruction for our students during the COVID-19 pandemic. We continue addressing facility needs including safety concerns at Menifee County High School regarding the secure entrance into the building as well as updating the gym floor and bleachers

CURRENT ISSUES

One of the greatest concerns looking ahead at the future fiscal years is the impact of the federal sequestration - or loss of federal funds for the next eight years, averaging a decline of 7.8% to 9.1%. In addition, the governor has implemented a 17% cut to state departments. These cuts could potentially cause reduced funding from the state and ensure we will have to be prepared to reduce expenditures accordingly. Finally, the impact of the pension issues in Kentucky and the increase of costs for County Employees Retirement System matching requirement could potentially affect the future spending for the District.

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 are also supported by taxes and intergovernmental revenues.

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 governmental fund financial statements can be found on pages 12-20 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 21-61 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 $233,834 as of June 30, 2020 as compared to $498,579 after a prior period adjustment in the prior year.

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

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

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

	2020	2019	Change
Current Assets	$ 13,305,781.00	$ 16,097,514	$ (2,791,733)
Noncurrent Assets	17,483,115.00	12,225,244	5,257,871
Total Assets	30,788,896	28,322,758	2,466,138
Deferred Outflows of Resources	1,604,886	1,284,747	320,139
Current Liabilities	1,521,225	990,522	530,703
Noncurrent Liabilities	29,507,530	27,358,270	2,149,260
Total Liabilities	31,028,755	28,348,792	2,679,963
Deferred Inflows of Resources	1,131,193	810,757	320,436
Net Position			
Investment in capital assets (net)	(6,001,948)	4,497,106	(10,499,054)
Restricted	12,108,549	494,032	11,614,517
Unrestricted	(5,872,767)	(4,543,182)	(1,329,585)
Total Net Position	$ 233,834	$ 447,956	$ (214,122)

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

	Summary of Revenue and Expenditures					
	Governmental		Business-type		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Local revenue sources	$1,865,266	$1,628,649	$83,888	$74,674	$1,949,154	$1,703,323
State revenue sources	7,168,474	9,704,556	42,883	33,627	7,211,357	9,738,183
Federal revenue sources	1,803,948	1,501,523	915,989	874,749	2,719,937	2,376,272
Investments	313,703	61,306	0	0	313,703	61,306
Total Revenue	11,151,391	12,896,034	1,042,760	983,050	12,194,151	13,879,084
Expenses:						
Instruction	5,277,817	6,901,102	0	0	5,277,817	6,901,102
Student support services	954,842	1,258,873	0	0	954,842	1,258,873
Instructional support	496,056	488,438	0	0	496,056	488,438
District administration	509,088	492,839	0	0	509,088	492,839
School administration	579,028	445,926	0	0	579,028	445,926
Business support	409,140	409,716	0	0	409,140	409,716
Plant operations	1,248,343	1,196,968	0	0	1,248,343	1,196,968
Student transportation	899,100	1,002,200	0	0	899,100	1,002,200
Community service	329,224	189,434	0	0	329,224	189,434
Interest on long-term debt	709,189	256,026	0	0	709,189	256,026
Food service	0	0	1,047,069	1,066,374	1,047,069	1,066,374
Total Expenses	11,411,827	12,641,522	1,047,069	1,066,374	12,458,896	13,707,896
Change in net position	(260,436)	254,512	(4,309)	(83,324)	(264,745)	171,188
Beginning net position	695,079	440,567	(247,123)	(163,799)	447,956	276,768
Effect of adoption of GASB 84	50,623	0	0	0	50,623	0
Beginning net position restated	745,702	440,567	(247,123)	(163,799)	498,579	276,768
Ending net position	$485,266	$695,079	($251,432)	($247,123)	$233,834	$447,956

Governmental Activities

The majority of revenue was derived from state funding making up 64% of the total revenue and local revenue sources making up 17% of total revenue. Instruction makes up 46% of total Governmental Fund Expenditures. Central support services expenditures are: Transportation 8%, Maintenance & Operations 11%, School Administration 5% and Other Support Functions 29%.

Business-Type Activities

Revenues for Food Service Fund totals $1,042,760 as of June 30, 2020, an increase of $59,710 from 2019. These revenues include lunchroom sales, federal and state grants, and federal commodities. Total Operating Expenditures for Food Service Fund totals $1,047,069 as of June 30, 2020, a decrease of $19,305 from 2019. The Change in Net position (Revenues less Expenditures) for the Food Service Fund is a decrease of $4,309.

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons

The District's total general fund revenues for the fiscal year ended June 30, 2020 net of inter-fund transfers, were $9,251,933, an increase of $20,086 from the total revenues of $9,231,847 for 2019.

General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being $511,116 less than budget. General fund budget compared to actual expenditures varied slightly from line item to line item with the ending actual expenditures being $987,686 less than budgeted.

The following tables presents a summary of revenue and expense, excluding transfers for selected funds (including on-behalf payments). This table includes capital outlay with the corresponding program that purchased the assets. Food service amounts are presented on the accrual basis while General fund, Special Revenue fund and Construction fund amounts are on the modified accrual basis.

For the Year ending June 30, 2020

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	FOOD SERVICE FUND
REVENUES:				
From local sources:				
Taxes:				
Property	$ 541,267	$ 0	$ 0	$ 0
Motor vehicle	159,179	0	0	0
Utilities	284,935	0	0	0
Franchise	327,916	0	0	0
Earnings on investments	37,688	0	276,015	0
Other local revenues	77,367	92,452	0	0
Intergovernmental - state	7,632,126	356,509	0	42,883
Intergovernmental - federal	191,455	1,612,493	0	915,989
Lunchroom sales	0	0	0	83,888
TOTAL REVENUES	$ 9,251,933	$ 2,061,454	$ 276,015	$ 1,042,760
EXPENDITURES:				
Instruction:	$ 5,069,123	$ 1,177,680	$ 0	$ 0
Support Services:				
Student	892,591	173,890	0	0
Instructional staff	259,430	431,282	0	0
District administration	509,088	0	0	0
School administration	613,644	0	0	0
Business	353,350	31,823	0	0
Plant operations and maintenance	941,690	16,257	0	0
Student transportation	884,318	35,773	0	0
Food Service	0	61,696	0	1,047,069
Community Service	0	160,747	0	0
Capital Outlay	0	0	5,537,772	0
Debt service	166,065	0	91,500	0
TOTAL EXPENDITURES	$ 9,689,299	$ 2,089,148	$ 5,629,272	$ 1,047,069
Excess (Deficit) of Revenues over Expenditures	$ (437,366)	$ (27,694)	$ (5,353,257)	$ (4,309)

For the Year ending June 30, 2019

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	FOOD SERVICE FUND
REVENUES:				
From local sources:				
Taxes:				
Property	$ 590,966	$ 0	$ 0	$ 0
Motor vehicle	159,498	0	0	0
Utilities	288,652	0	0	0
Franchise	192,450	0	0	
Earnings on investments	61,306	0	0	0
Other local revenues	67,337	35,816	0	0
Intergovernmental - state	7,745,262	342,852	0	33,627
Intergovernmental - federal	126,376	1,375,147	0	874,749
Lunchroom sales	0	0	0	74,674
TOTAL REVENUES	$ 9,231,847	$ 1,753,815	$ 0	$ 983,050
EXPENDITURES:				
Instruction:	$ 5,249,270	$ 1,053,419	$ 0	$ 0
Support Services:				
Student	803,828	191,348	0	0
Instructional staff	133,886	295,115	0	0
District administration	436,196	0	0	0
School administration	381,930	0	0	0
Business	349,805	14,663	0	0
Plant operations and maintenance	857,451	20,231	0	0
Student transportation	750,530	35,785	0	0
Food Service	0	0	0	1,066,374
Community Service	1,310	170,706	0	0
Capital Outlay	145,037	0	986,056	
Debt service	167,568	0	0	0
TOTAL EXPENDITURES	$ 9,276,811	$ 1,781,267	$ 986,056	$ 1,066,374
Excess (Deficit) of Revenues over Expenditures	$ (44,964)	$ (27,452)	$ (986,056)	$ (83,324)

Debt

At June 30, 2020, the School District had $23,485,063 in revenue bonds and capital leases outstanding; of this amount $11,361,611 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of $1,097,643 is due within one year.

Capital Assets

The Board added $5,782,920 to the governmental funds and $0 to the proprietary funds in capital assets during the year, primarily for land acquisition for and construction of the new K-8 school.

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency.

Questions regarding this report should be directed to Lorri Bartley, CFE, Finance Officer (606) 768-8002 or by mail at the Menifee County Board of Education, 202 Back Street, Frenchburg, KY 40322.

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	$ 12,826,334	$ 164,486	$ 12,990,820
Accounts receivable			
Accounts	22,043	29,838	51,881
Intergovernmental - Federal	217,953	-	217,953
Inventory	-	34,433	34,433
Other assets	10,694	-	10,694
Total Current Assets	13,077,024	228,757	13,305,781
Noncurrent Assets			
Non-depreciated capital assets	6,643,618	-	6,643,618
Net depreciated capital assets	10,820,619	18,878	10,839,497
Total Noncurrent Assets	17,464,237	18,878	17,483,115
TOTAL ASSETS	30,541,261	247,635	30,788,896
DEFERRED OUTFLOW OF RESOURCES			
Pension	870,611	61,833	932,444
OPEB	659,574	12,868	672,442
Total deferred outflow of resources	1,530,185	74,701	1,604,886
LIABILITIES:			
Current Liabilities			
Accounts payable	23,198	588	23,786
Current portion of bond obligations	965,000	-	965,000
Current portion of capital lease obligations	132,643	-	132,643
Current portion of accrued sick leave	28,161	-	28,161
Current portion of KSBIT payable	6,532	-	6,532
Accrued interest payable	258,555	-	258,555
Unearned revenues	106,548	-	106,548
Total Current Liabilities	1,520,637	588	1,521,225
Noncurrent Liabilities			
Noncurrent portion of bond obligations	21,803,656	-	21,803,656
Noncurrent portion of capital lease obligations	583,764	-	583,764
Net pension liability	3,549,982	482,695	4,032,677
Net OPEB liability	2,868,451	23,713	2,892,164
Noncurrent portion of accrued sick leave	195,269	-	195,269
Total Noncurrent Liabilities	29,001,122	506,408	29,507,530
TOTAL LIABILITIES	30,521,759	506,996	31,028,755
DEFERRED INFLOW OF RESOURCES			
Pension	235,483	25,133	260,616
OPEB	828,938	41,639	870,577
Total deferred inflow of resources	1,064,421	66,772	1,131,193
NET POSITION			
Net Investment in Capital Assets	(6,020,826)	18,878	(6,001,948)
Restricted			
Capital projects (expendable)	11,674,991	-	11,674,991
Other purposes	205,389	228,169	433,558
Unrestricted	(5,374,288)	(498,479)	(5,872,767)
TOTAL NET POSITION	$ 485,266	$ (251,432)	$ 233,834

See Accompanying Notes to the Financial Statements

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

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: PRIMARY GOVERNMENT: TOTAL
Primary Government							
Governmental Activities:							
Instructional	$ 5,277,817	$ -	$ 3,468,321	$ -	$ (1,809,496)	$ -	$ (1,809,496)
Support Services:							
Student	954,842			-	(954,842)	-	(954,842)
Instructional staff	496,056	-		-	(496,056)	-	(496,056)
District administration	515,620	-		-	(515,620)	-	(515,620)
School administration	579,028	-		-	(579,028)	-	(579,028)
Business	409,140	-		-	(409,140)	-	(409,140)
Plant operations and maintainance	1,248,343	-		-	(1,248,343)	-	(1,248,343)
Student transportation	899,100	-		-	(899,100)	-	(899,100)
Community services	329,224	-		-	(329,224)	-	(329,224)
Interest on long-term debt	709,189	-		450,197	(258,992)	-	(258,992)
Total Governmental Activities	11,418,359	-	3,468,321	450,197	(7,499,841)	-	(7,499,841)
Business Type Activities:							
Food Service	1,047,069	83,888	958,872	-	-	(4,309)	(4,309)
Total Business Type Activities	1,047,069	83,888	958,872	-	-	(4,309)	(4,309)
Total Primary Government	$ 12,465,428	$ 83,888	$ 4,427,193	$ 450,197	$ (7,499,841)	$ (4,309)	$ (7,504,150)
General Revenues:							
Taxes:							
Property					$ 789,915	$ -	$ 789,915
Motor vehicle					159,179	-	159,179
Utilities					284,935	-	284,935
Franchise					327,916	-	327,916
State and formula grants					5,060,436	-	5,060,436
Interest and investment earnings					313,703	-	313,703
Miscellaneous					315,834	-	315,834
Gain/(Loss) on disposal					(12,513)	-	(12,513)
Total General Revenues and Transfers					7,239,405	-	7,239,405
Change in Net Position					(260,436)	(4,309)	(264,745)
Net Position - beginning					695,079	(247,123)	447,956
Prior Period Adjustment					50,623		50,623
					745,702	(247,123)	498,579
Net Position - end of year					$ 485,266	$ (251,432)	$ 233,834

See Accompanying Notes to the Financial Statements

MENIFEE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	$ 1,168,534	$ (111,405)	$ 11,674,991	$ 94,214	$ 12,826,334
Accounts receivable					
Accounts	22,043	-	-	-	22,043
Intergovernmental - Federal	-	217,953	-	-	217,953
Other assets	10,694	-	-	-	10,694
TOTAL ASSETS	$ 1,201,271	$ 106,548	$ 11,674,991	$ 94,214	$ 13,077,024
LIABILITIES:					
Accounts payable	$ 23,198	$ -	$ -	$ -	$ 23,198
KSBIT payable	6,532	-	-	-	6,532
Unearned revenue	-	106,548	-	-	106,548
TOTAL LIABILITIES	29,730	106,548	-	-	136,278
FUND BALANCES:					
Restricted					
Capital projects	-	-	11,674,991		11,674,991
Assigned	111,175	-	-	-	111,175
Committed	-			94,214	94,214
Unassigned	1,060,366	-	-	-	1,060,366
TOTAL FUND BALANCES	1,171,541	-	11,674,991	94,214	12,940,746
TOTAL LIABILITIES AND FUND BALANCES	$ 1,201,271	$ 106,548	$ 11,674,991	$ 94,214	$ 13,077,024

See Accompanying Notes to the Financial Statements

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

Total Governmental Fund Balances	$	12,940,746
Amounts reported for governmental activities in the statement of net position are different because:		
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		
Capital assets		17,464,237
Certain assets (obligations) are not a use of financial resourses and therefore, are not reported in the government funds, but are presented in the statement of net position		
Pension deferred outflows		870,611
OPEB deferred outflows		659,574
Net pension liability		(3,549,982)
Net OPEB liability		(2,868,451)
Pension deferred inflows		(235,483)
OPEB deferred inflows		(828,938)
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		
Bond obligations		(22,768,656)
Capital lease		(716,407)
Accrued interest		(258,555)
Accrued sick leave		(223,430)
Net Position of Governmental Activities	$	485,266

See Accompanying Notes to the Financial Statements

MENIFEE 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	CONSTRUCTION FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	$ 541,267	$ -	$ -	$ 248,648	$ 789,915
Motor vehicle	159,179	-	-	-	159,179
Utilities	284,935	-	-	-	284,935
Franchise	327,916	-	-	-	327,916
Earnings on investments	37,688	-	276,015	-	313,703
Other local revenues	77,367	92,452	-	146,016	315,835
Intergovernmental - State	7,632,126	356,509	-	862,520	8,851,155
Intergovernmental - Indirect federal	191,455	1,612,493	-	-	1,803,948
TOTAL REVENUES	9,251,933	2,061,454	276,015	1,257,184	12,846,586
EXPENDITURES:					
Current:					
Instruction:	5,069,123	1,177,680	-	-	6,246,803
Support Services:					
Student	892,591	173,890	-	129,202	1,195,683
Instructional staff	259,430	431,282	-	-	690,712
District administration	515,620	-	-	-	515,620
School administration	613,644	-	-	-	613,644
Business	353,350	31,823	-	-	385,173
Plant operations and maintainance	941,690	16,257	-	-	957,947
Food Service	-	61,696	-	-	61,696
Student transportation	884,318	35,773	-	22,722	942,813
Community services	-	160,747	-	-	160,747
Capital outlay		-	5,537,772	-	5,537,772
Debt service	166,065	-	91,500	989,705	1,247,270
TOTAL EXPENDITURES	9,695,831	2,089,148	5,629,272	1,141,629	18,555,880
Excess (Deficit) of Revenues over Expenditures	(443,898)	(27,694)	(5,353,257)	115,555	(5,709,294)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	4,513	32,207	499,068	543,658	1,079,446
Operating transfers out	(231,660)	(4,513)	-	(843,273)	(1,079,446)
Sale of Equipment	3,670	-	-	-	3,670
Bond Discount	-	-		-	-
Issuance of Debt	208,648	-	2,750,000	-	2,958,648
TOTAL OTHER FINANCING SOURCES (USES):	(14,829)	27,694	3,249,068	(299,615)	2,962,318
Net Change in Fund Balances	(458,727)	-	(2,104,189)	(184,060)	(2,746,976)
Fund balance - beginning of year	1,630,268	-	13,779,180	227,651	15,637,099
Prior Period Adjustment (See Note 18)	-	-	-	50,623	50,623
Fund balance- beginning restated	1,630,268	-	13,779,180	278,274	15,687,722
Fund balance - end of year	$ 1,171,541	$ -	$ 11,674,991	$ 94,214	$ 12,940,746

See Accompanying Notes to the Financial Statements

MENIFEE 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	$	(2,746,976)
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		(5,147)
Bond discount		55,000
Issuance of debt proceeds are recognized in this fund financial statement as resources available for use as current financial resources, but these proceeds are not recognized in the statement of activities.		
Issuance of debt		(2,958,648)
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		5,782,920
Depreciation expense		(508,351)
Loss on Disposal		(16,184)
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 activites when they are incurred.		
Accrued interest		(212,941)
Sick leave		(13,408)
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expens is the cost of benefits earned, adjusted for member contributions, the recognition of chagnes in deferred outflows and inflows of resources related to pensions, and investment experience.		
KTRS on-behalf revenue		(1,721,663)
KTRS on-behalf pension expense		1,682,682
KTRS on-behalf OPEB expense		38,981
Pension expense		(295,144)
OPEB expense		(6,226)
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.		664,669
Change in Net Position of Governmental Activities	$	(260,436)

See Accompanying Notes to the Financial Statements

MENIFEE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	GENERAL FUND			
	BUDGETED AMOUNTS			VARIANCE Favorable
	ORIGINAL	FINAL	ACTUAL	(Unfavorable)
REVENUES:				
From local sources:				
Taxes:				
Property	$ 601,244	$ 603,283	$ 541,267	$ (62,016)
Motor vehicle	157,000	160,000	159,179	(821)
Franchise	192,450	326,341	327,916	1,575
Utilities	281,910	281,910	284,935	3,025
Earnings on investments	61,306	64,000	37,688	(26,312)
Other local revenues	98,420	88,970	77,367	(11,603)
Intergovernmental - State	7,636,880	8,035,177	7,632,126	(403,051)
Intergovernmental - Federal	127,554	203,368	191,455	(11,913)
TOTAL REVENUES	9,156,764	9,763,049	9,251,933	(511,116)
EXPENDITURES:				
Current:				
Instruction:	4,983,812	5,285,961	5,069,123	216,838
Support Services:				
Student	1,052,850	1,096,065	892,591	203,474
Instructional staff	248,301	305,533	259,430	46,103
District administration	457,245	549,391	515,620	33,771
School administration	532,765	770,072	613,644	156,428
Business	412,701	394,933	353,350	41,583
Plant operations and maintenance	1,072,723	1,155,469	941,690	213,779
Student transportation	1,021,755	951,271	884,318	66,953
Noninstructional	1,357	48	-	48
Debt service	167,568	168,242	166,065	2,177
TOTAL EXPENDITURES	9,951,077	10,676,985	9,695,831	981,154
Excess (Deficit) of Revenues over Expenditures	(794,313)	(913,936)	(443,898)	470,038
OTHER FINANCING SOURCES (USES):				
Operating transfers in	2,894	12,063	4,513	(7,550)
Operating transfers out	(58,177)	(233,127)	(231,660)	1,467
Sale of equipment	58,124	56,832	3,670	(53,162)
Issuance of debt	220,000	220,000	208,648	(11,352)
Contingency	(915,615)	(683,688)		683,688
TOTAL OTHER FINANCING SOURCES (USES):	(692,774)	(627,920)	(14,829)	613,091
Net Change in Fund Balance	(1,487,087)	(1,541,856)	(458,727)	1,083,129
Fund balance - beginning of year	1,487,087	1,541,856	1,630,268	88,412
Fund balance - end of year	$ -	$ -	$ 1,171,541	$ 1,171,541

See Accompanying Notes to the Financial Statements

MENIFEE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUND			
	BUDGETED AMOUNTS			VARIANCE Favorable
	ORIGINAL	FINAL	ACTUAL	(Unfavorable)
REVENUES:				
From local sources:				
Other local revenues	$ 3,000	$ 132,155	$ 92,452	$ (39,703)
Intergovernmental - State	339,959	383,772	356,509	(27,263)
Intergovernmental - Indirect federal	1,142,932	1,709,993	1,612,493	(97,500)
TOTAL REVENUES	1,485,891	2,225,920	2,061,454	(164,466)
EXPENDITURES:				
Current:				
Instruction:	987,458	1,395,631	1,177,680	217,951
Support Services:				
Student	176,122	201,595	173,890	27,705
Instructional staff	266,307	382,080	431,282	(49,202)
Business	38,717	15,000	31,823	(16,823)
Plant operations and maintenance	21,000	26,000	16,257	9,743
Student transportation	26,937	34,167	35,773	(1,606)
Food service	-	62,000	61,696	304
Community services	141,646	137,927	160,747	(22,820)
TOTAL EXPENDITURES	1,658,187	2,254,400	2,089,148	165,252
Excess (Deficit) of Revenues over Expenditures	(172,296)	(28,480)	(27,694)	786
OTHER FINANCING SOURCES (USES):				
Operating transfers in	27,908	33,999	32,207	(1,792)
Operating transfers out	(7,550)	(7,550)	(4,513)	(3,037)
Sale of equipment				-
TOTAL OTHER FINANCING SOURCES (USES):	20,358	26,449	27,694	(4,829)
Net Change in Fund Balance	(151,938)	(2,031)	-	2,031
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ (151,938)	$ (2,031)	$ -	$ 2,031

See Accompanying Notes to the Financial Statements

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	FOOD SERVICE
ASSETS:	
Current Assets	
Cash and cash equivalents	$ 164,486
Accounts receivable	29,838
Inventory	34,433
Total Current Assets	228,757
Noncurrent Assets	
Machinery & equipment	128,584
Accumulated depreciation	(109,706)
Total Noncurrent Assets	18,878
TOTAL ASSETS	247,635
DEFERRED OUTFLOW OF RESOURCES	
Pension	61,833
OPEB	12,868
TOTAL DEFERRED OUTFLOWS OF RESOURCES	74,701
LIABILITIES:	
Current Liabilities	
Accounts payable	588
Noncurrent Liabilities	
Net pension liability	482,695
Net OPEB liability	23,713
TOTAL LIABILITIES	506,996
DEFERRED INFLOW OF RESOURCES	
Pension	25,133
OPEB	41,639
TOTAL DEFERRED INFLOWS OF RESOURCES	66,772
NET POSITION:	
Net Investment in Capital Assets	18,878
Restricted	228,169
Unrestricted	(498,479)
TOTAL NET POSITION	$ (251,432)

See Accompanying Notes to the Financial Statements

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

	FOOD SERVICE
OPERATING REVENUES:	
Lunchroom sales	$ 34,894
Other operating revenues	48,994
TOTAL OPERATING REVENUES	83,888
OPERATING EXPENSES:	
Salaries and wages	305,717
Employee benefits	128,656
Contract services	11,851
Materials and supplies	581,769
Property	11,196
Miscellaneous	7,366
Depreciation	514
TOTAL OPERATING EXPENSES	1,047,069
Operating income (loss)	(963,181)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	868,129
Federal commodities	47,860
State grants	42,883
Loss on disposal	-
NON-OPERATING REVENUES (EXPENSES)	958,872
Change in net position	(4,309)
Net position - beginning	(247,123)
Net position - end of year	$ (251,432)

See Accompanying Notes to the Financial Statements

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

		FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from lunchroom sales	$	83,888
Cash paid to suppliers		(626,766)
Cash paid to employees		(381,776)
Cash paid for other activites		(30,412)
Net Cash Provided (Used) by Operating Activities		(955,066)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal grants		866,464
State Grants		8,556
Net Cash Provided (Used) by Noncapital Activities		875,020
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets		
Loss on disposal		-
Net Cash Provided (Used) by Financing Activities		-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		-
Net Cash Provided (Used) by Investing Activities		-
Net Increase (Decrease) in Cash and Cash Equivalents		(80,044)
Cash and cash equivalents - beginning of year		244,530
Cash and cash equivalents - end of year	$	164,486
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(963,181)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Federal commodities		47,860
On-behalf payments		34,325
Depreciation		514
Changes in Assets and Liabilities:		
Accounts Receivable		-
Inventory		(23,403)
Deferred outflows		(8,960)
Accounts payable		(69,454)
Deferred inflows		(1,329)
Net pension liability		30,305
Net OPEB liability		(1,743)
Net Cash Provided (Used) by Operating Activities	$	(955,066)
Schedule of non-cash transactions:		
Donated commodities received from federal government	$	47,860
On-behalf payments	$	34,325

See Accompanying Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Menifee 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 Menifee 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 Menifee 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 Menifee 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 Clubs, 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

Menifee County Board of Education Finance Corporation - In a prior year, the Board resolved to authorize the establishment of the Menifee 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 Menifee County Board of Education also comprise the corporation's Board of Directors. The Corporation does not publish individual component unit financial statements.

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.

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

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. Fiduciary funds are reported by fund type.

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.

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

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 Activity.*

(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.

Fund Financial Statements (Cont'd)

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 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 non-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.

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.

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 $0.534 per $100 valuation for real property, $0.534 per $100 valuation for business personal property and $0.432 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.

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. 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.

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).
d)

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.

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 fund is restricted for capital projects with a total of $11,674,991at 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 $46,916 and School Activity funds of $47,298 . 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 $111,175 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.

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 5).

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, but many of the leases reported in Note 5 will be reported as intangible assets and lease liabilities with 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.

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 $12,990,821. The bank balance for the same time was $13,195,272.

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.

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	$302,590	$0	$0	$302,590
Construction in Progress	766,756	5,574,272	0	6,341,028
Total Capital Assets not being depreciated	1,069,346	5,574,272	0	6,643,618
Other Capital Assets				
Land Improvements	264,754	0	0	264,754
Buildings & Improvements	15,500,353	0	0	15,500,353
Technological Equipment	0	0	0	0
Vehicles	2,136,632	208,648	53,946	2,291,334
General Equipment	96,608	0	0	96,608
Total Other Assets	17,998,347	208,648	53,946	18,153,049
Less accumulated depreciation for:				
Land Improvements	(223,522)	(7,886)	0	(231,407)
Buildings & Improvements	(5,209,443)	(378,934)	0	(5,588,376)
Technological Equipment	0	0	0	0
Vehicles	(1,352,838)	(120,050)	(37,762)	(1,435,125)
General Equipment	(76,039)	(1,482)	0	(77,520)
Total accumulated depreciation	(6,861,840)	(508,351)	(37,762)	(7,332,429)
Other Capital Assets, net	11,136,506	(299,703)	16,184	10,820,619
Governmental Activities, net	$12,205,852	$5,274,569	$16,184	$17,464,237
Business Activities:				
Technological Equipment	$0	$0	$0	$0
General Equipment	128,584	0	0	128,584
Total	128,584	0	0	128,584
Less accumulated depreciation for:				
Technological Equipment	0	0	0	0
General Equipment	(109,192)	(514)	0	(109,706)
Total accumulated depreciation	(109,192)	(514)	0	(109,706)
Business Activities, net	$19,392	($514)	$0	$18,878

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

Governmental Activities:	
Instruction	$2,625
Support Services:	
Student	110,617
District Administration	2,860
Business Support Services	5,640
Plant Operations & Maintenance	272,617
Student Transportation	113,991
Total depreciation expense, governmental activities	$508,351

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 Menifee 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 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:

Issue	Proceeds	Rates	Maturity Dates	Outstanding Balance June 30, 2020
2011	$5,450,000	5.00%	11/1/2030	$4,110,182
2012R	2,345,000	5.00%	12/1/2030	700,000
2015	1,160,000	5.00%	12/1/2030	975,000
2019	14,355,000	3.00%	8/1/2039	14,355,000
2019B	2,750,000	2.25-2.75%	2/1/2040	2,750,000
	$23,310,000			$22,890,182

	Menifee County School District		Kentucky School Construction Commission		
Year	Principal	Interest	Principal	Interest	Total
2021	$437,583	$360,862	$527,417	$352,387	$1,678,249
2022	461,840	342,258	543,160	336,641	1,683,899
2023	475,183	329,932	559,999	319,985	1,685,099
2024	485,037	315,282	549,963	302,546	1,652,828
2025	502,279	299,665	567,721	284,787	1,654,452
2026-2030	2,782,225	1,228,780	3,137,775	1,127,913	8,276,693
2031-2035	3,233,200	715,984	2,861,800	608,710	7,419,694
2036-2040	3,151,224	225,858	2,613,776	187,218	6,178,076
	$11,528,571	$3,818,621	$11,361,611	$3,520,187	$30,228,990

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

Capital Leases

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

Class of Property	Amount
Buses Book Value	$1,506,023

During fiscal year 2020, KISTA Bond Pool Sizing First Series of 2020 was approved on March 1, 2020 and delivered on March 11, 2020 in the amount of $208,648 for the purpose of purchasing a new school bus.

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

Year Ending June 30	Capital Lease Payable
2021	$150,406
2022	119,518
2023	99,234
2024	91,666
2025	88,206
Thereafter	241,815
Total Minimum lease payments	790,846
Less: Amount of Interest	(74,439)
Present value of net minimum lease payments	$716,407

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 $52,258. The District elected to make an initial payment of 25% 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 15, 2014. The final payment will be due August 15, 2020.

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	$20,665,182	$2,750,000	$525,000	$22,890,182	$965,000
Less: Bond Discount	(71,673)	(55,000)	5,147	(121,526)	0
Capital Leases	647,428	208,648	139,669	716,407	132,643
KSBIT	13,064	0	6,532	6,532	6,532
Sick Leave	219,417	18,605	14,593	223,429	28,161
Total	$21,473,418	$2,922,253	$690,941	$23,715,024	$1,132,336

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:

Year Ending June 30:	Amount
2021	33,816
2022	33,816
2023	33,816
Total	$101,448

Expenditures for equipment under operating leases for the year ended June 30, 2020 totaled $33,816.

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.

NOTE 6- RETIREMENT PLAN (cont'd)

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/.

Benefits provided

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. 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.

NOTE 6 - RETIREMENT PLAN (cont'd)

Benefits provided (cont'd)

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:

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

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 (TRS of Ky)—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. TRS of Ky was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS of Ky is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS of Ky issues a separate publicly available financial report that can be obtained from the TRS of Ky website, at https://trs.ky.gov/administration/financial-reports-information/.

NOTE 6 - RETIREMENT PLAN (cont'd)

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 is 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.

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. TRS of Ky 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 TRS of Ky.

NOTE 6 - RETIREMENT PLAN (cont'd)

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:

District's proportionate share of the net CERS pension liability	$	4,032,677
Commonwealth's proportionate share of the net KTRS pension liability associated with the District		16,946,953
	$	20,979,630

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 .057339%. For the year ended June 30, 2020, the District recognized pension expense of $358,676 related to CERS and a negative expense of $1,771,682 related to TRS of Ky. The District also recognized negative on-behalf revenue of $1,771,682 for TRS of Ky support provided by the Commonwealth paid directly to TRS of Ky. TRS has reported negative pension expense in both the 2018 and 2019 measurement periods.

NOTE 6 - RETIREMENT PLAN (cont'd)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 102,966	$ 17,039
Changes of assumptions	408,153	-
Net difference between projected and actual earnings on pension plan investments	77,412	142,420
Changes in proportion and differences between District contributions and proportionate share of contributions	48,799	101,157
District contributions subsequent to the measurement date	295,114	-
	$ 932,444	$ 260,616

$295,114 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	$ 233,920
2022	$ 89,423
2023	$ 48,758
2024	$ 4,613
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%

NOTE 6 - RETIREMENT PLAN (cont'd)

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 TRS of Ky, 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 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. 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.

Asset Class	Target Allocation	Ten-Year Expected Real Rate of Return
Growth:	**62.50%**	
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%
Liquidity:	**14.50%**	
Core Bonds	13.50%	1.35%
Cash	1.00%	.20%
Diversifying Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	

NOTE 6- RETIREMENT PLAN (cont'd)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00%	

**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 TRS of Ky, 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.

NOTE 6 - RETIREMENT PLAN (cont'd)

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:

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	$ 5,043,736	$ 4,032,677	$ 3,189,970
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 $69,502. The District does not contribute to these plans.

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.ktrs.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.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (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 $964,164 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 0.057324%.

The amount recognized by the District as its proportionate share of the OPEB liability was $964,164 as of June 30, 2020. For the year ended June 30, 2020, the District recognized OPEB expense of $6,552.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 290,911
Changes of assumptions	285,305	1,908
Net difference between projected and actual earnings on OPEB plan investments	6,351	49,175
Changes in proportion and differences between District contributions and proportionate share of contributions	12,240	61,583
District contributions subsequent to the measurement date	72,785	-
	$ 376,681	$ 403,577

Of the total amount reported as deferred outflows of resources related to OPEB, $72,785 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:

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

Year ended June 30:	
2021	$ (19,301)
2022	$ (19,301)
2023	$ (5,686)
2024	$ (31,740)
2025	$ (20,934)
Thereafter	$ (2,718)

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.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	2.0%	0.9%
Total	100.0%	

* 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.

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:

	1% Decrease	Current Discount Rate	1% Increase
	4.68%	5.68%	6.68%
District's proportionate share of net OPEB liability	$ 1,291,583	$ 964,164	$ 694,392

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% Increase
District's proportionate share of net OPEB liability	$ 717,054	$ 964,164	$ 1,263,814

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

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:

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

KTRS Postemployment Health Care Benefits (cont'd)

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 $1,928,000 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 .065876%.

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:

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

KTRS Postemployment Health Care Benefits (cont'd)

District's proportionate share of the net KTRS OPEB liability	$	1,928,000
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District		1,557,000
Total	$	3,485,000

For the year ended June 30, 2020, the District recognized a decrease in OPEB expense of $26,000 as the liability decreased, deferred outflows and inflows of resource increased, and deferred contributions decreased. In addition, the District recognized on-behalf revenue and expenses of $92,635 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 467,000
Changes of assumptions	51,000	-
Net difference between projected and actual earnings on OPEB plan investments	8,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	109,000	-
District contributions subsequent to the measurement date	127,761	-
	$ 295,761	$ 467,000

Of the total amount reported as deferred outflows of resources related to OPEB, $127,761 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:

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

KTRS Postemployment Health Care Benefits (cont'd)

Year ended June 30:	
2021	$ (57,000)
2022	$ (57,000)
2023	$ (52,000)
2024	$ (53,000)
2025	$ (50,000)
Thereafter	$ (30,000)

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	7.5% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.5% for FY 2019 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.

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 TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	1.0%	.9%
Total	100.0%	

**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:

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	$ 2,284,000	$ 1,928,000	$ 1,630,000

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	$ 1,570,000	$ 1,928,000	$ 2,369,000

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

KTRS Postemployment Life Insurance Benefits

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

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

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

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

District's proportionate share of the net KTRS OPEB liability	$ -
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District	36,000
	$ 36,000

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 $1,529 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.

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 TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	2.0%	.9%
Total	100.0%	

**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 – TRS of Ky issues a publicly available financial report that can be obtained at http://www.TRS of Ky.ky.gov/05_publications/index.htm.

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 $223,429. 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.

NOTE 11 - RISK MANAGEMENT (cont'd)

The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such 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

The Food Service Fund is operating as a deficit fund balance of $251,432 at June 30, 2020. The following funds had operations that resulted in a current year deficit after transfers and other financing sources (see Note 14) of revenues over expenditures resulting in the following reductions of fund balances:

Food Service Fund	$ 4,309
School Activity Fund	$ 3,328
General Fund	$ 458,727
Construction Fund	$ 2,104,189

NOTE 14 – INTERFUND TRANSACTIONS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS Matching	$32,207
General	Construction	Construction	$195,303
General	District Activity	Expense Reimbursement	$4,150
Special Revenue	General	Expense Reimbursement	$4,513
Capital Outlay	Debt Service	Debt Service	$269,856
Building	Debt Service	Debt Service	$269,652
Building	Construction	Construction	$303,765

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	$	1,369,512
Health & Life Insurance		1,171,788
Technology		64,715
Debt Service		450,197
Recognized at the Fund Level	$	3,056,212
Additional pension expense recognized at the Government-Wide Level	$	(1,771,682)
Total On-Behalf	$	1,373,530

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	$	2,571,690
Food Service Fund		34,325
Debt Service Fund		450,197
Total	$	3,056,212

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 2, 2020, the date the financial statements were available to be issued.

NOTE 18 – PRIOR PERIOD ADJUSTMENT

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.

	Governmental Activities	Fiduciary Funds
Net position of governmental activities, as previously reported	$ -	
Due to Student Groups		(50,623)
Agency Funds Reclassified to Special Revenue	50,623	50,623
Net Change in Beginning Net Position	50,623	50,623
Net position, June 30, 2019, Restated	$ 50,623	$ -

	School Activity Fund	Fiduciary Funds
Fund Balance, as previously reported	$ -	
Due to Student Groups		(50,623)
Adjustments:		
Agency Funds Reclassified to School Activity Fund	50,623	50,623
Fund Balance, July 1, as restated	$ 50,623	$ -

MENIFEE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL SCHEDULES

MENIFEE 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)
COUNTY EMPLOYEES RETIREMENT SYSTEM:						
District's proportion of the net pension liability	0.057339%	0.056269%	0.061230%	0.061114%	0.062460%	0.059290%
District's proportionate share of the net pension liability	$ 4,032,677	$ 3,426,954	$ 3,583,980	$ 3,009,036	$ 2,685,437	$ 1,923,000
District's covered-employee payroll	$ 1,390,354	$ 1,381,363	$ 1,455,002	$ 1,454,566	$ 1,961,629	$ 1,457,224
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	290.05%	248.08%	246.32%	206.87%	136.90%	131.96%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:						
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	$ 16,946,953	$ 15,950,244	$ 31,883,890	$ 35,652,060	$ 29,954,231	$ 30,126,070
Total	$ 16,946,953	$ 15,950,244	$ 31,883,890	$ 35,652,060	$ 29,954,231	$ 30,126,070
District's covered-employee payroll	$ 4,884,093	$ 4,277,541	$ 4,241,958	$ 4,185,045	$ 4,179,746	$ 4,347,207
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.

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

	2020	2019	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM:							
Contractually required contribution	$ 366,082	$ 242,246	$ 201,942	$ 207,967	$ 173,629	$ 186,481	$ 257,491
Contributions in relation to the contractually required contribution	366,082	242,246	201,942	207,967	173,629	186,481	257,491
Contribution deficiency (excess)		-	-	-	-	-	-
District's covered-employee payroll	$ 1,521,546	$ 1,493,499	$ 1,381,363	$ 1,455,002	$ 1,454,566	$ 1,961,629	$ 1,457,224
District's contributions as a percentage of its covered-employee payroll	24.06%	16.22%	14.62%	14.29%	11.94%	9.51%	17.67%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:							
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	$ 4,884,093	$ 4,526,990	$ 4,277,541	$ 4,241,958	$ 4,185,045	$ 4,179,746	$ 4,347,207
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.

MENIFEE 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:

Assumption	2017 Valuation	2016 Valuation
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	**2.30%**	**3.25%**
Salary Increase	**3.3% to 11.55%** varies by service), average, including Inflation	**4%**, average, including Inflation
Investment Rate of Return	**6.25%**, Net of Pension Plan Investment Expense, including Inflation	**7.5%**, 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.

MENIFEE 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) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
District's proportion of the net OPEB liability	0.057324%	0.056269%	0.061230%
District's proportionate share of the net OPEB liability	$ 964,164	$ 999,009	$ 1,230,932
District's covered-employee payroll	$ 1,390,354	$ 1,381,363	$ 1,455,002
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	57.62%	57.62%	52.40%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:			
District's proportion of the net OPEB liability	0.065876%	0.062625%	0.062290%
District's proportionate share of the net OPEB liability	1,928,000	2,173,000	2,221,000
State's proportionate share of the net OPEB liability associated with the District	$ 1,557,000	$ 1,873,000	$ 1,814,000
Total	$ 3,485,000	$ 4,046,000	$ 4,035,000
District's covered-employee payroll	$ 4,884,093	$ 4,277,541	$ 4,241,958
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	39.48%	50.80%	52.36%
Plan fiduciary net position as a percentage of the total OPEB liability	32.58%	25.50%	21.18%

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

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

	2020	2019	2018	2017
COUNTY EMPLOYEES RETIREMENT SYSTEM:				
Contractually required contribution	$ 73,203	$ 78,558	$ 65,548	$ 70,515
Contributions in relation to the contractually required contribution	73,203	78,558	65,548	70,515
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 1,521,546	$ 1,493,499	$ 1,381,363	$ 1,455,002
District's contributions as a percentage of its covered-employee payroll	4.81%	5.26%	4.75%	4.85%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:				
Contractually required contribution	$ 127,761	$ 114,708	$ 111,554	$ 106,720
Contributions in relation to the contractually required contribution	127,761	114,708	111,554	106,720
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 4,289,221	$ 3,832,402	$ 4,277,541	$ 4,241,958
District's contributions as a percentage of its covered-employee payroll	2.98%	2.99%	2.61%	2.52%

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.

MENIFEE 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.

MENIFEE 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) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
KENTUCKY TEACHER'S RETIREMENT SYSTEM:			
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	$ 36,000	$ 32,000	$ 24,000
Total	$ 36,000	$ 32,000	$ 24,000
District's covered-employee payroll	$ 4,884,093	$ 4,277,541	$ 4,241,958
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%	79.99%

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.

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

	2020	2019	2018	2017
KENTUCKY TEACHER'S RETIREMENT SYSTEM:				
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	$ 4,289,221	$ 3,832,402	$ 4,277,541	$ 4,241,958
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.
Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

MENIFEE 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.

MENIFEE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL SCHEDULES

MENIFEE 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	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS:						
Cash and cash equivalents	$ 46,916	$ 47,298	$ -	$ -	$ -	$ 94,214
TOTAL ASSETS	$ 46,916	$ 47,298	$ -	$ -	$ -	$ 94,214
FUND BALANCES:						
Committed	$ 46,916	$ 47,298	$ -	$ -	$ -	$ 94,214
TOTAL FUND BALANCES	$ 46,916	$ 47,298	$ -	$ -	$ -	$ 94,214

MENIFEE 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	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:						
From local sources:						
Taxes:						
Property	$ -	$ -	$ -	$ 248,648	$ -	$ 248,648
Interest on investments			-	-	-	-
Other Local revenues	20,897	125,119	-	-	-	146,016
Intergovernmental - State			91,385	320,938	450,197	862,520
TOTAL REVENUES	20,897	125,119	91,385	569,586	450,197	1,257,184
EXPENDITURES:						
Current:						
Instruction	-	-	-	-	-	-
Student Services:						-
Student Support	23,480	105,722	-	-	-	129,202
Plant operations and maintenance	-	-	-	-	-	-
Student Transportation	-	22,722	-	-	-	22,722
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	989,705	989,705
TOTAL EXPENDITURES	23,480	128,444	-	-	989,705	1,141,629
Excess (Deficit) of Revenues over Expenditures	(2,583)	(3,325)	91,385	569,586	(539,508)	115,555
OTHER FINANCING SOURCES (USES):						
Operating transfers in	4,150	-	-	-	539,508	543,658
Operating transfers out	-	-	(269,856)	(573,417)	-	(843,273)
TOTAL OTHER FINANCING SOURCES (USES):	4,150	-	(269,856)	(573,417)	539,508	(299,615)
Net Change in Fund Balances	1,567	(3,325)	(178,471)	(3,831)	-	(184,060)
Fund balance - beginning of year	45,349		178,471	3,831	-	227,651
Prior Period Adjustment	-	50,623	-	-	-	50,623
Fund balance- beginning restated	45,349	50,623	178,471	3,831	-	278,274
Fund balance - end of year	$ 46,916	$ 47,298	$ -	$ -	$ -	$ 94,214

MENIFEE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Cash Balances June 30, 2019	Receipts	Disbursements	Cash Balances June 30, 2020	Accounts Receivable June 30, 2019	Accounts Payable June 30, 2019	Due To Student Groups June 30, 2020
Menifee Co. High School	$ 37,356	$ 115,307	$ 115,733	$ 36,930	$ -	$ -	$ 36,930
Menifee Co. Elementary	12,139	9,597	12,086	9,650	-	-	9,650
Botts Elementary	1,128	215	625	718	-	-	718
	$ 50,623	$ 125,119	$ 128,444	$ 47,298	$ 0	$ 0	$ 47,298

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MENIFEE COUNTY COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

ACCOUNTS:	Cash Balances June 30, 2019	Receipts	Disbursements	Cash Balances June 30, 2020	Accounts Receivable June 30, 2020	Accounts Payable June 30, 2020	Due To Student Groups June 30, 2020
General Fund	$ 402	$ -	$ 402	$ -	$ -	$ -	$ -
Sweep	265	-	265	-	-	-	-
Faculty Vending	177	-	177	-	-	-	-
Student Vending	134	199	-	333	-	-	333
Student Parking	635	75	-	710	-	-	710
Volleyball	-	2,945	2,945	-	-	-	-
Athletic Concessions	345	10,097	7,918	2,524	-	-	2,524
Support Baseball	1,138	5,542	3,277	3,403	-	-	3,403
Basketball - Boys	1,451	5,764	4,933	2,282	-	-	2,282
Basketball - Girls	1,610	5,953	4,544	3,019	-	-	3,019
Cross Country - Girls & Boys	-	-	-	-	-	-	-
Track - Boys & Girls	-	-	-	-	-	-	-
Support Volleyball	86	924	1,010	-	-	-	-
Support Softball	2,260	4,948	3,289	3,919	-	-	3,919
Support Cheerleaders	2,521	2,512	3,871	1,162	-	-	1,162
Soccer - Boys	-	4,015	4,015	-	-	-	-
Soccer - Girls	-	2,511	2,511	-	-	-	-
Support Boys Soccer	8,051	2,423	3,771	6,703	-	-	6,703
Support Girls Soccer	848	-	657	191	-	-	191
Baseball	-	815	815	-	-	-	-
Support Boys Basketball	-	-	-	-	-	-	-
Support Girls Basketball	-	-	-	-	-	-	-
Softball	1	1,388	1,389	-	-	-	-
Cheerleading	1	61	62	-	-	-	-
FCCLA	367	-	-	367	-	-	367
FFA	2,468	20,841	21,929	1,380	-	-	1,380
Wildcat Medical Club	90	-	-	90	-	-	90
Journalism	3,926	-	3,926	-	-	-	-
Athletics	1,765	3,139	2,053	2,851	-	-	2,851
Junior Class	3,798	-	1,425	2,373	-	-	2,373
Senior Class	342	26,085	24,367	2,060	-	-	2,060
BETA Club	1,605	12,907	13,541	971	-	-	971
STLP	212	-	-	212			212
Band	1,697	1,337	1,757	1,277	-	-	1,277
Special Education	179	166	174	171	-	-	171
Academic	-	-	-	-	-	-	-
FCA	11	-	-	11	-	-	11
FFA Horticulture Fund	45	660	-	705	-	-	705
Student Council	216	-	-	216	-	-	216
Start-Up Change	400	-	400	-	-	-	-
Guidance	156	-	156	-	-	-	-
Wildcat Behavior	154	-	154	-	-	-	-
TOTALS	$ 37,356	$ 115,307	$ 115,733	$ 36,930	$ -	$ -	$ 36,930

MENIFEE COUNTY BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2020

Federal Grantor/Program or Cluster Title	*Federal CFDA Number*	*Name of Grant - Grant ID No.*	*Federal Expenditures($)*
Passed Through Kentucky Department of Education			
United States Department of Agriculture			
Child Nutrition Cluster-Cluster			
United States Department of Agriculture			
National School Lunch Program			
National School Lunch Program	10.555	402823	$ 47,860
National School Lunch Program	10.555	7750002-19	100072
National School Lunch Program	10.555	7750002-20	261,694
School Breakfast Program	10.553	7760005-19	48,642
School Breakfast Program	10.553	7760005-20	134,042
Child and Adult Care	10.558	7790021-19	6,159
Child and Adult Care	10.558	7790021-20	20,845
Child and Adult Care	10.558	7800016-20	1,144
Child and Adult Care	10.558	7800016-19	337
Summer School Feeding Program	10.559	7690024-19	2,570
Summer School Feeding Program	10.559	7690024-20	22,155
Summer School Feeding Program	10.559	7740023-20	245,615
Summer School Feeding Program	10.559	7740023-19	24,855
Total Child Nutrition Cluster-Cluster			915,989
Total United States Department of Agriculture			915,989
United States Department of Education			
Special Education Cluster (IDEA)-Cluster			
Department of Education			
Special Education_Grants to States	84.027	3810002-18	328
Special Education_Grants to States	84.027	3810002-19	265,814
Total Special Education_Grants to States			266,142
Special Education_Preschool Grants	84.173	3800002-19	4,436
Special Education_Preschool Grants	84.173	3800002-18	9,484
Total Special Education_Preschool Grants			13,920
Total Special Education Cluster (IDEA)-Cluster			280,062
Title I Grants to Local Educational Agencies			
Title I Grants to Local Educational Agencies	84.010	3220002-17	141,286
Title I Grants to Local Educational Agencies	84.010	3220002-18	44,990
Title I Grants to Local Educational Agencies	84.010	3100002-19	476,169
Total Title I Grants to Local Educational Agencies			662,445
Career and Technical Education -- Basic Grants to States	84.048	3710002-19	11,784
Total Career and Technical Education -- Basic Grants to States			11,784
Twenty-First Century Community Learning Centers	84.287	3400002-17	8,158
Twenty-First Century Community Learning Centers	84.287	3400002-18	136,050
Total Twenty-First Century Community Learning Centers			144,208

The accompanying notes are an integral part of this schedule

MENIFEE COUNTY BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2020

Federal Grantor/Program or Cluster Title	*Federal CFDA Number*	*Name of Grant - Grant ID No.*	*Federal Expenditures($)*
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379EA	$ 23,272
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379FD	44,000
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379FR	822
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379ED	16,871
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379ER	533
Total Gaining Early Awareness and Readiness for Undergraduate Programs			85,498
Rural Education			
Rural Education	84.358	3140002-19	19,545
Total Rural Education			19,545
Improving Teacher Quality State Grants			
Improving Teacher Quality State Grants	84.367	3230002-19	56,792
Total Improving Teacher Quality State Grants			56,792
Striving Readers/Comprehensive Literacy Development	84.371	466E	77489
Striving Readers/Comprehensive Literacy Development	84.371	466F	98,075
Total Striving Readers/Comprehensive Literacy Development			175,564
Student Support and Academic Enrichment Program	84.424	3420002-18	19,839
Student Support and Academic Enrichment Program	84.424	3420002-19	17,262
Total Student Support and Academic Enrichment Program			37,101
ESSER FUNDS			
ESSER FUNDS	84.425D	4000002-20	30,813
Total ESSER FUNDS			30,813
Total United States Department of Education			1,503,812
Department of Health and Human Services			
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	2100001-19	114
Total Department of Health and Human Services			114
Total Expenditures of Federal Awards			$ 2,419,915

The accompanying notes are an integral part of this schedule

The accompanying notes are an integral part of this schedule

MENIFEE 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 Menifee 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 Menifee 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) Menifee County 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 $47,860.

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

To the Kentucky State Committee for School District Audits
Members of the Board of Education
Menifee County School District
Frenchburg, KY 40322

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 Menifee 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 Menifee County School District's basic financial statements, and have issued our report thereon dated November 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Menifee 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 Menifee County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Menifee 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 Menifee 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 statements. 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*. The results of our tests disclosed no instances of noncompliance or other matters that is 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 2, 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 2, 2020

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

To the Kentucky State Committee for School District Audits
Members for the Board of Education
Menifee County School District
Frenchburg, KY 40322

Report on Compliance for Each Major Federal Program

We have audited the Menifee 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 Menifee County School District's major federal programs for the year ended June 30, 2020. Menifee 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 Menifee 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 Menifee 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 Menifee County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Menifee 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 Menifee 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 Menifee 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 Menifee 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 2, 2020

MENIFEE 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:

CFDA Number(s)	Name of Federal Program or Cluster
#84.010	Title 1

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

Auditee qualified as low-risk auditee? ___X___yes _____no

MENIFEE 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.

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

Financial Statement Findings

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.

There were no such findings in the current year.

Federal Award Findings and Questioned Costs

No findings in the prior year.

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Members of the Board of Education
Menifee County School District
Frenchburg, Kentucky

In planning and performing our audit of the financial statements of Menifee 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 2, 2020 on the financial statements of the Menifee 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 2, 2020

MENIFEE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2020

SCHOOL ACTIVITY FUNDS

MENIFEE COUNTY HIGH SCHOOL

Comment: During our testing of cash receipts, we found multiple instances of students not signing the Multiple Receipt Form when turning in money. We recommend the bookkeeper and teachers review the Receipts section of the "Redbook" which states Students third grade and above must sign the Multiple Receipt Form.

Response: During the COVID pandemic, we did not have anyone sign forms to prevent any cross-contamination. We will review student signature requirement with staff. We have hired a new bookkeeper to ensure we are in compliance with Redbook requirements.

Comment: During our testing of cash disbursements, we found an instance where a Cash Advance was not done on the Cash Advance form. We recommend the bookkeeper review the Cash Advances & Travel Reimbursements section of the "Redbook" which states: "Cash advances shall be supported by the Advance Report (F-SA-9)

Response: We have hired a new bookkeeper to ensure we are in compliance with Redbook requirements.

Comment: The Principal did not complete the Combined Budget in a timely manner.

Response: During the COVID pandemic, we focused on other areas. We have hired a new bookkeeper to ensure we are in compliance with Redbook requirements

MENIFEE COUNTY ELEMENTARY SCHOOL

Comment: The Principal did not complete the Combined Budget in a timely manner.

Response: During the COVID pandemic, we focused on other areas. We have hired a new bookkeeper to ensure we are in compliance with Redbook requirements

BOTTS ELEMENTARY

Comment: The Principal did not complete the Combined Budget in a timely manner.

Response: During the COVID pandemic, we focused on other areas. We have hired a new bookkeeper to ensure we are in compliance with Redbook requirements

SCHOOL ACTIVITY FUNDS (Cont'd)

Comment: During our testing of Booster Clubs, we noted the PTO did not complete a Budget worksheet. (Form F-SA-4B). We recommend the bookkeeper review the External Support/Booster Organizations section in the Redbook, which states, "Each external support/booster organization must submit an annual F-SA-4B to the principal within the first 30 days of the school year or within 30 days of the first transaction of the group."

Response: During the COVID pandemic, we focused on other areas. We have hired a new bookkeeper to ensure we are in compliance with Redbook requirements

STATUS OF PRIOR YEAR COMMENTS

BOARD

Nothing Noted.

SCHOOL ACTIVITY FUNDS

MENIFEE COUNTY HIGH SCHOOL

Previously, during our testing, we found one instance of funds not being deposited timely. We recommend the bookkeeper review the receipts section of the "Redbook", which states, at a minimum, deposits shall be made on a weekly basis even if it is less than $100. There were no similar findings in the current year.

MENIFEE COUNTY ELEMENTARY SCHOOL

Nothing noted.

BOTTS ELEMENTARY

Nothing noted.