

Menifee County School District

**Audited Financial Statements
and Required Supplementary Information**

June 30, 2018

**MENIFEE COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2018**

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net position	14
Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Budgetary Comparison Schedule – General Fund	17
Budgetary Comparison Schedule – Special Revenue Fund	18
Statement of Net Position - Proprietary Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	20
Statement of Cash Flows - Proprietary Fund	21
Statement of Fiduciary Net Position - Fiduciary Funds	22
Notes to Basic Financial Statements	23-65

**MENIFEE COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
JUNE 30, 2018**

	<u>Page</u>
Required Supplementary Information:	
Schedule of District's Proportionate Share of Net Pension Liability	66
Schedule of District Contributions - Pension	67
Notes to Required Supplementary Information - Pension	68
Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan	69
Schedule of District Contributions – Medical Insurance Plan	70
Notes to Required Supplementary Information – Medical Insurance Plan	71
Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan	72
Schedule of District Contributions – Life Insurance Plan	73
Notes to Required Supplementary Information – Life Insurance Plan	74
Supplemental Schedules:	
Combining Balance Sheet – Non-Major Governmental Funds	75
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances – Non-Major Governmental Funds	76
Combining Statement of Changes in Assets and Liabilities – School Activity Funds	77
Statement of Changes in Assets and Liabilities – Menifee County High School Activity Funds	78
Schedule of Expenditures of Federal Awards By Grant	79-80
Notes to Schedule of Expenditures of Federal Awards	81
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 <i>Government Auditing Standards</i>	82-83
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	84-85
Schedule of Findings and Questioned Costs	86-87
Schedule of Prior Year Audit Findings	88
Management Letter Comments	89-92

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

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 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 (the District) as of and for the year ended June 30, 2018, 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 audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, and the respective changes in financial position, the respective budgetary comparison for the General Fund and Special Revenue Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 4-10 and 66–74 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 expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2018, 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.

Summers, McCrary & Sparks, PSC

Lexington, KY
October 6, 2018

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

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, 2018. 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 \$9,221,430 in revenue, which primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$8,953,697 in General Fund expenditures. This includes on-behalf payments of \$2,387,699.

The beginning General Fund balance was \$1,220,970. The ending balance for the General Fund was \$1,563,965 for June 30, 2018, noting an increase of \$342,995 from cost cuts initiated by state management and the finance department.

The District approved a nickel increase in property taxes, resulting in a tax rate of .544 cents per \$100 for real estate and .547 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.

The District was awarded a grant for three years totaling \$432,761 from the U.S. Department of Education for Menifee County School District -Menifefitness Project. The program will increase student time spent in physical activity during the school day, and enhance nutrition and wellness curriculum District-wide.

On November 13, 2014, the Kentucky Commissioner of Education notified the Menifee County Board Chair and Kentucky Board of Education Chair that he was recommending the Menifee County School District be placed under state assistance, due to a "pattern of significant lack of efficiency and effectiveness in the governance and administration of the school district in multiple areas." Subsequently the Kentucky Board of Education affirmed state assistance for Menifee County School District.

Due to lack of significant improvement, on July 10, 2015, the Kentucky Department of Education assumed the role of state management of the Menifee County School District. The former Finance Officer was transferred from her position effective July 1, 2015. Due to state management, the superintendent’s role is advisory only.

The Kentucky Department of Education hired a state manager to oversee all operations of the district. In addition, a new finance officer with extensive knowledge and experience was hired on July 23, 2015. Procedures have been implemented addressing many deficiencies district wide. Currently, the position of superintendent is vacant.

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

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 11-12 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 13-22 of this report.

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-65 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 \$276,768 as of June 30, 2018 as compared to \$3,425,989 in the prior year. The prior year net position was revised to recognize the effect of the adoption of GASB 75 which required the District to record a net OPEB liability. The prior year fund balance has been restated from \$3,425,989 to \$438,663 to reflect this accounting change.

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current Assets	\$ 2,449,172	\$ 1,971,911	\$ 477,261
Noncurrent Assets	11,635,766	12,277,444	(641,678)
Total Assets	<u>14,084,938</u>	<u>14,249,355</u>	<u>(164,417)</u>
Deferred Outflows of Resources	<u>1,624,646</u>	<u>968,061</u>	<u>656,585</u>
Current Liabilities	983,039	987,044	(4,005)
Noncurrent Liabilities	14,004,754	13,755,676	249,078
Total Liabilities	<u>14,987,793</u>	<u>14,742,720</u>	<u>245,073</u>
Deferred Inflows of Resources	<u>445,023</u>	<u>36,032</u>	<u>408,991</u>
Net Position			
Investment in capital assets (net)	4,075,367	4,094,509	(19,142)
Restricted	670,250	207,088	65,288
Unrestricted	(4,468,849)	(3,862,934)	(208,041)
Total Net Position	<u>\$ 276,768</u>	<u>\$ 438,663</u>	<u>\$ (161,895)</u>

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2017 and 2018.

	Summary of Revenue and Expenditures					
	Governmental		Business-type		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Local revenue sources	\$1,256,140	\$1,376,715	\$81,952	\$73,571	\$1,338,092	\$1,450,286
State revenue sources	10,262,435	10,776,041	65,358	86,960	10,327,793	10,863,001
Federal revenue sources	1,146,307	1,256,498	818,146	880,517	1,964,453	2,137,015
Investments	43,617	19,858	0	0	43,617	19,858
Total Revenue	12,708,499	13,429,112	965,456	1,041,048	13,673,955	14,470,160
Expenses:						
Instruction	6,831,507	6,637,932	0	0	6,831,507	6,637,932
Student support services	1,502,290	1,429,692	0	0	1,502,290	1,429,692
Instructional support	690,254	470,081	0	0	690,254	470,081
District administration	187,756	375,306	0	0	187,756	375,306
School administration	553,035	681,169	0	0	553,035	681,169
Business support	380,378	550,699	0	0	380,378	550,699
Plant operations	1,169,715	1,452,139	0	0	1,169,715	1,452,139
Student transportation	976,470	1,109,132	0	0	976,470	1,109,132
Community service	288,983	175,162	0	0	288,983	175,162
Interest on long-term debt	268,046	211,042	0	0	268,046	211,042
Food service	0	0	987,416	1,048,444	987,416	1,048,444
Total Expenses	12,848,434	13,092,354	987,416	1,048,444	13,835,850	14,140,798
Change in net position	(139,935)	336,758	(21,960)	(7,396)	(161,895)	329,362
Beginning net position	3,522,739	3,185,981	(96,750)	(89,354)	3,425,989	3,096,627
Effect of adoption of GASB 75	(2,942,237)	0	(45,089)	0	(2,987,326)	0
Beginning net position restated	580,502	3,185,981	(141,839)	(89,354)	438,663	3,096,627
Ending net position	\$440,567	\$3,522,739	(\$163,799)	(\$96,750)	\$276,768	\$3,425,989

Governmental Activities

The majority of revenue was derived from state funding making up 81% of the total revenue and local taxes making up 10% of total revenue. Instruction makes up 53% of total Governmental Fund Expenditures. Central support services expenditures are: Transportation 8%, Maintenance & Operations 9%, School Administration 4% and Other Support Functions 26%.

Business-Type Activities

Revenues for Food Service Fund totals \$965,456 as of June 30, 2018, a decrease of \$75,592 from 2017. These revenues include lunchroom sales, federal and state grants, and federal commodities. Total Operating Expenditures for Food Service Fund totals \$987,416 as of June 30, 2018, a decrease of \$61,028 from 2017. The Change in Net position (Revenues less Expenditures) for the Food Service Fund is a decrease of \$21,960.

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons

The District’s total general fund revenues for the fiscal year ended June 30, 2018 net of inter-fund transfers, were \$9,221,430, an increase of \$802,130 from the total revenues of \$8,419,300 for 2017.

General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$724,880 more than budget. General fund budget compared to actual expenditures varied slightly from line item to line item with the ending actual expenditures being \$68,212 more 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 and Special revenue fund amounts are on the modified accrual basis.

For the Year ending June 30, 2018

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>FOOD SERVICE FUND</u>
REVENUES:			
From local sources:			
Taxes:			
Property	\$ 579,276	\$ 0	\$ 0
Motor vehicle	157,756	0	0
Utilities	289,966	0	0
Franchise	120,050	0	0
Earnings on investments	43,616	0	0
Other local revenues	62,061	32,880	(6,361)
Intergovernmental - state	7,811,622	513,002	65,358
Intergovernmental - federal	157,083	989,224	818,146
Lunchroom sales	0	0	88,313
TOTAL REVENUES	\$ 9,221,430	\$ 1,535,106	\$ 965,456
EXPENDITURES:			
Instruction:	\$ 4,944,157	\$ 852,213	\$ 0
Support Services:			
Student	822,658	290,590	0
Instructional staff	272,905	246,103	0
District administration	165,991	0	0
School administration	517,281	0	0
Business	338,230	3,817	0
Plant operations and maintenance	850,234	14,129	0
Student transportation	735,682	21,887	0
Food Service	0	0	987,416
Community Service	441	139,343	0
Capital Outlay	138,488	0	0
Debt service	167,630	0	0
TOTAL EXPENDITURES	\$ 8,953,697	\$ 1,568,082	\$ 987,416
Excess (Deficit) of Revenues over Expenditures	\$ 267,733	\$ (32,976)	\$ (21,960)

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

For the Year ending June 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	FOOD SERVICE FUND
REVENUES:			
From local sources:			
Taxes:			
Property	\$ 554,210	\$ 0	\$ 0
Motor vehicle	139,276	0	0
Utilities	281,597	0	0
Franchise	142,281	0	
Unmined minerals	1,144	0	
Earnings on investments	19,853	0	0
Other local revenues	48,142	35,653	0
Intergovernmental - state	7,066,670	604,418	86,960
Intergovernmental - federal	166,127	1,090,371	880,517
Lunchroom sales	0	0	73,571
TOTAL REVENUES	\$ 8,419,300	\$ 1,730,442	\$ 1,041,048
EXPENDITURES:			
Instruction:	\$ 4,169,015	\$ 1,022,382	\$ 0
Support Services:			
Student	765,787	269,490	0
Instructional staff	206,817	178,062	0
District administration	309,931	13,270	0
School administration	502,476	0	0
Business	352,884	53,727	0
Plant operations and maintenance	1,018,232	11,937	0
Student transportation	709,921	51,854	0
Food Service	0	0	1,048,444
Community Service	70	161,103	0
Capital Outlay	215,710	0	
Debt service	152,645	0	0
TOTAL EXPENDITURES	\$ 8,403,488	\$ 1,761,825	\$ 1,048,444
Excess (Deficit) of Revenues over Expenditures	\$ 15,812	\$ (31,383)	\$ (7,396)

Debt

At June 30, 2018, the School District had \$7,560,399 in revenue bonds and capital leases outstanding; of this amount \$3,222,911 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$709,137 is due within one year.

Capital Assets

The Board added \$138,488 to the governmental funds and \$0 to the proprietary funds in capital assets during the year, primarily for technology equipment and school buses.

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

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, 2018

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 1,896,436	\$ 233,314	\$ 2,129,750
Accounts receivable			
Accounts	82,818	38,831	121,649
Intergovernmental - Federal	171,145	-	171,145
Inventory	-	14,008	14,008
Other assets	12,620	-	12,620
Total Current Assets	<u>2,163,019</u>	<u>286,153</u>	<u>2,449,172</u>
Noncurrent Assets			
Non-depreciated capital assets	50,600	-	50,600
Net depreciated capital assets	11,583,312	1,854	11,585,166
Total Noncurrent Assets	<u>11,633,912</u>	<u>1,854</u>	<u>11,635,766</u>
TOTAL ASSETS	<u>13,796,931</u>	<u>288,007</u>	<u>14,084,938</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension	1,069,156	109,228	1,178,384
OPEB	429,400	16,862	446,262
Total deferred outflow of resources	<u>1,498,556</u>	<u>126,090</u>	<u>1,624,646</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	56,519	13,953	70,472
Current portion of bond obligations	560,000	-	560,000
Current portion of capital lease obligations	149,137	-	149,137
Current portion of accrued sick leave	49,239	-	49,239
Accrued interest payable	49,684	-	49,684
Unearned revenues	104,507	-	104,507
Total Current Liabilities	<u>969,086</u>	<u>13,953</u>	<u>983,039</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	6,310,182	-	6,310,182
Noncurrent portion of capital lease obligations	541,080	-	541,080
KSBIT Payable	13,064	-	13,064
Net pension liability	3,106,853	477,127	3,583,980
Net OPEB liability	3,389,919	62,013	3,451,932
Noncurrent portion of accrued sick leave	104,516	-	104,516
Total Noncurrent Liabilities	<u>13,465,614</u>	<u>539,140</u>	<u>14,004,754</u>
TOTAL LIABILITIES	<u>14,434,700</u>	<u>553,093</u>	<u>14,987,793</u>
DEFERRED INFLOW OF RESOURCES			
Pension	330,019	21,556	351,575
OPEB	90,201	3,247	93,448
Total deferred inflow of resources	<u>420,220</u>	<u>24,803</u>	<u>445,023</u>
NET POSITION			
Net Investment in Capital Assets	4,073,513	1,854	4,075,367
Restricted			
Capital projects (expendable)	397,954	-	397,954
Other purposes	40,075	232,221	272,296
Unrestricted	<u>(4,070,975)</u>	<u>(397,874)</u>	<u>(4,468,849)</u>
TOTAL NET POSITION	<u>\$ 440,567</u>	<u>\$ (163,799)</u>	<u>\$ 276,768</u>

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 6,831,507	\$ -	\$ 2,968,312	\$ -	\$ (3,863,195)	\$ -	\$ (3,863,195)
Support Services:							
Student	1,502,290	2,522	652,749	-	(847,019)	-	(847,019)
Instructional staff	690,254	-	299,918	-	(390,336)	-	(390,336)
District administration	187,756	-	84,419	-	(103,337)	-	(103,337)
School administration	553,035	-	240,296	-	(312,739)	-	(312,739)
Business	380,378	-	165,276	-	(215,102)	-	(215,102)
Plant operations and maintenance	1,169,715	-	508,245	-	(661,470)	-	(661,470)
Student transportation	976,470	-	424,280	-	(552,190)	-	(552,190)
Community services	288,983	-	125,564	-	(163,419)	-	(163,419)
Interest on long-term debt	268,046	-	117,195	398,565	247,714	-	247,714
Total Governmental Activities	12,848,434	2,522	5,586,254	398,565	(6,861,093)	-	(6,861,093)
Business Type Activities:							
Food Service	987,416	88,313	883,504	-	-	(15,599)	(15,599)
Total Business Type Activities	987,416	88,313	883,504	-	-	(15,599)	(15,599)
Total Primary Government	\$ 13,835,850	\$ 90,835	\$ 6,469,758	\$ 398,565	\$ (6,861,093)	\$ (15,599)	\$ (6,876,692)
General Revenues:							
Taxes:							
Property					\$ 774,916	\$ -	\$ 774,916
Motor vehicle					157,756	-	157,756
Utilities					289,966	-	289,966
Franchise					120,050	-	120,050
State and formula grants					5,423,923	-	5,423,923
Interest and investment earnings					43,617	-	43,617
Miscellaneous					116,476	-	116,476
Loss on disposal					(205,546)	(6,361)	(211,907)
Total General Revenues and Transfers					6,721,158	(6,361)	6,714,797
Change in Net Position					(139,935)	(21,960)	(161,895)
Net Position - beginning					3,522,739	(96,750)	3,425,989
Effect of adoption of GASB 75 - See Note 19					(2,942,237)	(45,089)	(2,987,326)
Net Position - beginning restated					580,502	(141,839)	438,663
Net Position - end of year					\$ 440,567	\$ (163,799)	\$ 276,768

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and cash equivalents	\$ 1,518,518	\$ (60,111)	\$ 438,029	\$ 1,896,436
Accounts receivable				
Accounts	82,818	-	-	82,818
Intergovernmental - Federal	-	171,145	-	171,145
Other assets	12,620	-	-	12,620
TOTAL ASSETS	\$ 1,613,956	\$ 111,034	\$ 438,029	\$ 2,163,019
 LIABILITIES:				
Accounts payable	\$ 49,991	\$ 6,528	\$ -	\$ 56,519
Unearned revenue	-	104,506	-	104,506
TOTAL LIABILITIES	49,991	111,034	-	161,025
 FUND BALANCES:				
Restricted				
Capital projects	-	-	397,954	397,954
Other	-	-	40,075	40,075
Assigned	-	-	-	-
Unassigned	1,563,965	-	-	1,563,965
TOTAL FUND BALANCES	1,563,965	-	438,029	2,001,994
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,613,956	\$ 111,034	\$ 438,029	\$ 2,163,019

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, 2018**

Total Governmental Fund Balances	\$	2,001,994
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position</p>		
Capital assets		11,633,912
<p>Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position</p>		
Pension deferred outflows		1,069,156
OPEB deferred outflows		429,400
Net pension liability		(3,106,853)
Net OPEB liability		(3,389,919)
Pension deferred inflows		(330,019)
OPEB deferred inflows		(90,201)
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position</p>		
Bond obligations		(6,870,182)
Capital lease		(690,217)
Accrued interest		(49,684)
KSBIT payable		(13,064)
Accrued sick leave		(153,756)
Accrued sick leave		<u>(153,756)</u>
Net Position of Governmental Activities	\$	<u>440,567</u>

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, 2018**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 579,276	\$ -	\$ 195,640	\$ 774,916
Motor vehicle	157,756	-	-	157,756
Utilities	289,966	-	-	289,966
Franchise	120,050	-	-	120,050
Earnings on investments	43,616	-	1	43,617
Other local revenues	62,061	32,880	23,032	117,973
Intergovernmental - State	7,811,622	513,002	767,226	9,091,850
Intergovernmental - Indirect federal	157,083	989,224	-	1,146,307
TOTAL REVENUES	9,221,430	1,535,106	985,899	11,742,435
EXPENDITURES:				
Current:				
Instruction:	4,944,157	852,213	20,564	5,816,934
Support Services:				
Student	822,658	290,590	-	1,113,248
Instructional staff	272,905	246,103	-	519,008
District administration	165,991	-	-	165,991
School administration	517,281	-	-	517,281
Business	338,230	3,817	-	342,047
Plant operations and maintainance	850,234	14,129	7,690	872,053
Student transportation	735,682	21,887	-	757,569
Community services	441	139,343	-	139,784
Capital outlay	138,488	-	-	138,488
Debt service	167,630	-	837,213	1,004,843
TOTAL EXPENDITURES	8,953,697	1,568,082	865,467	11,387,246
Excess (Deficit) of Revenues over Expenditures	267,733	(32,976)	120,432	355,189
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	32,976	441,748	474,724
Operating transfers out	(36,076)	-	(438,648)	(474,724)
Sale of Equipment	1,025	-	-	1,025
Capital lease proceeds	110,313	-	-	110,313
TOTAL OTHER FINANCING SOURCES (USES):	75,262	32,976	3,100	111,338
Net Change in Fund Balances	342,995	-	123,532	466,527
Fund balance - beginning of year	1,220,970	-	314,497	1,535,467
Fund balance - end of year	\$ 1,563,965	\$ -	\$ 438,029	\$ 2,001,994

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, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$	466,527
Amounts reported for governmental activities in the statement of activities are different because:		
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.		
Capital lease proceeds		(110,313)
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		138,488
Depreciation expense		(565,815)
Loss on Disposal		(205,546)
Generally, expenditures recognized in the fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued interest		3,948
Sick leave		(20,530)
KSBIT payable		6,532
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.		
KTRS on-behalf revenue		1,170,584
KTRS on-behalf pension expense		(1,136,826)
KTRS on-behalf OPEB expense		(33,758)
Pension expense		(477,592)
OPEB expense		(108,483)
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.		
		732,849
Change in Net Position of Governmental Activities	\$	(139,935)

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	GENERAL FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 553,014	\$ 573,410	\$ 579,276	\$ 5,866
Motor vehicle	130,000	136,012	157,756	21,744
Unmined minerals	1,150	-	-	-
Franchise	141,660	143,000	120,050	(22,950)
Utilities	350,910	281,910	289,966	8,056
Earnings on investments	13,100	33,000	43,616	10,616
Other local revenues	143,183	82,559	62,061	(20,498)
Intergovernmental - State	7,056,894	7,124,005	7,811,622	687,617
Intergovernmental - Federal	89,322	122,654	157,083	34,429
TOTAL REVENUES	8,479,233	8,496,550	9,221,430	724,880
EXPENDITURES:				
Current:				
Instruction:	4,254,965	4,561,793	4,944,157	(382,364)
Support Services:				
Student	816,142	814,283	822,658	(8,375)
Instructional staff	223,030	232,700	272,905	(40,205)
District administration	341,909	221,804	165,991	55,813
School administration	517,146	514,895	517,281	(2,386)
Business	317,978	383,665	338,230	45,435
Plant operations and maintenance	1,124,268	1,027,844	850,234	177,610
Student transportation	970,078	960,221	874,170	86,051
Noninstructional	46	442	441	1
Debt service	152,645	167,838	167,630	208
TOTAL EXPENDITURES	8,718,207	8,885,485	8,953,697	(68,212)
Excess (Deficit) of Revenues over Expenditures	(238,974)	(388,935)	267,733	656,668
OTHER FINANCING SOURCES (USES):				
Operating transfers in	35,000	35,000	-	(35,000)
Operating transfers out	(31,380)	(36,076)	(36,076)	-
Sale of equipment	20,089	2,836	1,025	(1,811)
Capital lease proceeds	190,670	110,313	110,313	-
Contingency	(1,035,492)	(986,167)	-	986,167
TOTAL OTHER FINANCING SOURCES (USES):	(821,113)	(874,094)	75,262	949,356
Net Change in Fund Balance	(1,060,087)	(1,263,029)	342,995	1,606,024
Fund balance - beginning of year	1,060,087	1,263,029	1,220,970	(42,059)
Fund balance - end of year	\$ -	\$ -	\$ 1,563,965	\$ 1,563,965

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	SPECIAL REVENUE FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Other local revenues	\$ -	\$ 10,000	\$ 32,880	\$ 22,880
Intergovernmental - State	476,809	518,424	513,002	(5,422)
Intergovernmental - Indirect federal	994,115	1,202,003	989,224	(212,779)
TOTAL REVENUES	<u>1,470,924</u>	<u>1,730,427</u>	<u>1,535,106</u>	<u>(195,321)</u>
EXPENDITURES:				
Current:				
Instruction:	841,865	1,017,920	852,213	165,707
Support Services:				
Student	277,299	293,833	290,590	3,243
Instructional staff	171,013	249,201	246,103	3,098
Business	500	32,324	3,817	28,507
Plant operations and maintenance	20,782	24,483	14,129	10,354
Student transportation	53,479	22,638	21,887	751
Community services	137,366	125,035	139,343	(14,308)
TOTAL EXPENDITURES	<u>1,502,304</u>	<u>1,765,434</u>	<u>1,568,082</u>	<u>197,352</u>
Excess (Deficit) of Revenues over Expenditures	<u>(31,380)</u>	<u>(35,007)</u>	<u>(32,976)</u>	<u>2,031</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	31,380	32,976	32,976	17,996
TOTAL OTHER FINANCING SOURCES (USES):	<u>31,380</u>	<u>32,976</u>	<u>32,976</u>	<u>17,996</u>
Net Change in Fund Balance	-	(2,031)	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ (2,031)</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018**

	<u>FOOD SERVICE</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 233,314
Accounts receivable	38,831
Inventory	14,008
Total Current Assets	<u>286,153</u>
Noncurrent Assets	
Machinery & equipment	110,092
Accumulated depreciation	<u>(108,238)</u>
Total Noncurrent Assets	<u>1,854</u>
TOTAL ASSETS	<u>288,007</u>
DEFERRED OUTFLOW OF RESOURCES	
Pension	109,228
OPEB	<u>16,862</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>126,090</u>
LIABILITIES:	
Current Liabilities	
Accounts payable	<u>13,953</u>
Noncurrent Liabilities	
Net pension liability	477,127
Net OPEB liability	<u>62,013</u>
TOTAL LIABILITIES	<u>553,093</u>
DEFERRED INFLOW OF RESOURCES	
Pension	21,556
OPEB	<u>3,247</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>24,803</u>
NET POSITION:	
Net Investment in Capital Assets	1,854
Restricted	232,221
Unrestricted	<u>(397,874)</u>
TOTAL NET POSITION	<u>\$ (163,799)</u>

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, 2018**

	<u>FOOD SERVICE</u>
OPERATING REVENUES:	
Lunchroom sales	\$ 34,843
Other operating revenues	53,470
TOTAL OPERATING REVENUES	88,313
OPERATING EXPENSES:	
Salaries and wages	269,202
Employee benefits	163,135
Contract services	7,012
Materials and supplies	536,529
Property	2,445
Miscellaneous	6,649
Depreciation	2,444
TOTAL OPERATING EXPENSES	987,416
Operating income (loss)	(899,103)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	764,292
Federal commodities	53,854
State grants	65,358
Loss on disposal	(6,361)
NON-OPERATING REVENUES (EXPENSES)	877,143
Change in net position	(21,960)
Net position - beginning	(96,750)
Effect of adoption of GASB 75 - See Note 19	(45,089)
Net position - beginning restated	(141,839)
Net position - end of year	\$ (163,799)

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 78,489
Cash paid to suppliers	(491,660)
Cash paid to employees	(324,542)
	<u>(737,713)</u>
Net Cash Provided (Used) by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Governmental grants	770,626
	<u>770,626</u>
Net Cash Provided (Used) by Noncapital Activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Loss on disposal	6,361
	<u>6,361</u>
Net Cash Provided (Used) by Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	-
	<u>-</u>
Net Cash Provided (Used) by Investing Activities	
Net Increase (Decrease) in Cash and Cash Equivalents	39,274
Cash and cash equivalents - beginning of year	194,040
	<u>194,040</u>
Cash and cash equivalents - end of year	\$ <u><u>233,314</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (899,103)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
Cash from Operating Activities:	
Federal commodities	53,854
On-behalf payments	59,024
Depreciation	2,444
Changes in Assets and Liabilities:	
Accounts Receivable	(9,824)
Inventory	(1,072)
Deferred outflows	(32,835)
Accounts payable	8,193
Deferred inflows	19,144
Net pension liability	28,965
Net OPEB liability	33,497
	<u>33,497</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(737,713)</u></u>
Schedule of non-cash transactions:	
Donated commodities received from federal government	\$ 53,854
On-behalf payments	\$ 59,024

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>AGENCY FUNDS</u>
ASSETS:	
Cash and cash equivalents	\$ 35,162
Accounts receivable	<u>-</u>
 TOTAL ASSETS	 \$ <u><u>35,162</u></u>
LIABILITIES:	
Accounts payable	\$ -
Due to student groups	<u>35,162</u>
 TOTAL LIABILITIES	 \$ <u><u>35,162</u></u>
NET POSITION:	
Net position - restricted for school activity funds	\$ <u><u>-</u></u>

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – 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 Club, Parent-Teacher Associations and other student association entities.

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

Blended Component Unit

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 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

BASIS OF PRESENTATION

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activity of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

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

Fund Financial Statements

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in the total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Fund Financial Statements (Cont'd)

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.

(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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

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 non-major fund of the District.

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

III. Fiduciary Fund Type (Agency)

(A) The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform program of Accounting for School Activity Funds*. This is a non-major fund.

(B) The Special Purpose Trust Fund accounts for funds donated to the District for special purposes. The District does not currently have any Special Purpose Trust Funds.

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Revenues – Exchange and Non-Exchange Transactions (Cont'd)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises during the period for which taxes are levied, but only after the District has completed certain legal steps to establish the enforceable legal claim. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are 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 when the District must provide local resources to be used for a specified purpose and expenditure requirements when the resources are provided to the District on a reimbursement basis. Revenues from non-exchange transactions must also be available before they can be recognized in the governmental fund statements.

In the Government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. requirements have been satisfied.

Unearned Revenue

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

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Unearned Revenue (Cont'd)

Revenues from local sources consist primarily of property taxes. Property taxes collected are recorded as revenues in the fund for which they were levied. Revenue is recognized when susceptible to accrual. Miscellaneous revenues are recorded on the same basis, if measurable. Investment earnings are recorded as earned since they are measurable and available.

Grant funds which are recorded in the special revenue fund as restricted funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as unearned revenues until all eligibility requirements have been met. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

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.

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Capital Assets (Cont'd)

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

Property Taxes

Property Tax Revenues - 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 date is based on a period ending 30 days after the tax bill mailing. Property taxes unpaid after December 31, are considered delinquent and the County Attorney can file a lien against the property, after certain notices are provided to taxpayers.

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, if the taxes are restricted to a specific purpose, such as the Building Fund (FSPK).

The property tax rates assessed for the year ended June 30, 2018 to finance the General Fund operations were \$.537 per \$100 valuation for real property, \$.549 per \$100 valuation for business personal property and \$.492 per \$100 valuation for motor vehicles. The District levies a 3% utility tax on all businesses and households within the County.

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Budgetary Process

The District's budgetary process accounts for certain transactions on a basis of accounting other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. As a result, several programs exceeded budgetary appropriations. However, these amounts were funded by the on-behalf revenues from the State. See Note 16 for these amounts which were not known by the District at the time the budget was adopted.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per District policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments 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. The budget for the Special Revenue Fund consists of the sum of each active grant's budget.

Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

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.

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Accumulated Unpaid Sick Leave Benefits (Cont'd)

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.

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.
- *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.
- *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.
- *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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

Fund Balances (Cont'd)

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.

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

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 two types of deferred outflows-contributions to the CERS pension system after the measurement period and the District's proportional share of the collective difference between certain actual experience and assumptions used in the CERS actuarial valuation. 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 related to the net difference projected and actual earnings on pension plan investments. (see Notes 7 and 8).

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 7.

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 8.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)

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 reporting periods beginning after December 15, 2019. The District has not determined the financial impact of the implementation of GASBS No. 87.

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This statement establishes criteria for identifying fiduciary activities for all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 will be effective for reporting periods beginning after December 15, 2018. The District has not determined the financial impact of the implementation of GASBS No. 84.

NOTE 3 - 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 \$2,164,912. The bank balance for the same time was \$2,632,926.

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$50,600	\$0	\$0	\$50,600
Construction in Progress	0	0	0	0
Total Capital Assets not being depreciated	50,600	0	0	50,600
Other Capital Assets				
Land Improvements	272,052	0	0	272,052
Buildings & Improvements	15,508,685	0	8,332	15,500,353
Technological Equipment	371,890	0	371,890	0
Vehicles	1,956,575	138,488	8,900	2,086,163
General Equipment	214,247	0	123,638	90,609
Total Other Assets	18,323,448	138,488	512,760	17,949,176
Less accumulated depreciation for:				
Land Improvements	(217,351)	(8,664)	0	(226,014)
Buildings & Improvements	(4,457,298)	(379,842)	(6,631)	(4,830,509)
Technological Equipment	(169,357)	(9,842)	(179,199)	0
Vehicles	(1,076,260)	(165,793)	(7,268)	(1,234,784)
General Equipment	(186,999)	(1,675)	(114,117)	(74,557)
Total accumulated depreciation	(6,107,264)	(565,815)	(307,214)	(6,365,865)
Other Capital Assets, net	12,216,185	(427,327)	205,546	11,583,312
Governmental Activities, net	\$12,266,785	(\$427,327)	\$205,546	\$11,633,912
Business Activities:				
Technological Equipment	\$3,396	\$0	\$3,396	\$0
General Equipment	221,523	0	111,431	110,092
Total	224,919	0	114,827	110,092
Less accumulated depreciation for:				
Technological Equipment	(3,396)	0	(3,396)	0
General Equipment	(210,864)	(2,444)	(105,070)	(108,238)
Total accumulated depreciation	(214,260)	(2,444)	(108,466)	(108,238)
Business Activities, net	\$10,659	(\$2,444)	\$6,361	\$1,854

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - CAPITAL ASSETS (cont'd)

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

Governmental Activities:

Instruction	\$6,168
Support Services:	
Student	112,082
Instructional Staff	3,085
District Administration	4,652
School Administration	13
Plant Operations & Maintenance	274,441
Student Transportation	154,195
Non-instructional	11,179
Total depreciation expense, governmental activities	<u><u>\$565,815</u></u>

NOTE 5 – 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 Meniffee 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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - LONG-TERM DEBT AND LEASE OBLIGATIONS (cont'd)

The bonds which may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2018 for debt service (principal and interest) are as follows:

Issue	Proceeds	Rates	Maturity Dates	Outstanding Balance June 30, 2018
2008	\$970,000	2.25% - 5.25%	9/1/2019	\$0
2009R	635,000		6/1/2026	90,000
2011	5,450,000		11/1/2030	4,565,182
2012R	2,345,000		12/1/2030	1,145,000
2015	1,160,000		12/1/2030	1,070,000
	<u>\$10,560,000</u>			<u>\$6,870,182</u>

Year	Menifee County School District		Kentucky School Construction Commission		Total
	Principal	Interest	Principal	Interest	
2019	\$320,551	\$125,766	\$239,449	\$112,127	\$797,893
2020	324,464	117,809	200,536	105,253	748,062
2021	330,071	109,949	204,929	99,863	744,812
2022	340,165	101,588	209,835	93,955	745,543
2023	339,928	92,553	215,254	87,470	735,205
2024-2028	1,175,461	328,325	1,059,539	327,022	2,890,347
2029-2033	816,630	73,008	883,369	110,875	1,883,882
2034-2036	0	0	210,000	9,019	219,019
	<u>\$3,647,271</u>	<u>\$948,998</u>	<u>\$3,222,911</u>	<u>\$945,584</u>	<u>\$8,764,763</u>

Capital Leases

The following is an analysis of the leased property under capital leases by class at June 30, 2018:

Class of Property	Amount
Buses Book Value	\$1,265,445

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - LONG-TERM DEBT AND LEASE OBLIGATIONS (cont'd)

Capital Leases (continued)

During fiscal year 2018, KISTA Bond Pool Sizing First Series of 2018 was approved on March 1, 2018 and delivered on March 21, 2018 in the amount of \$110,313 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, 2018:

<u>Year Ending June 30</u>	<u>Capital Lease Payable</u>
2019	\$167,739
2020	142,791
2021	109,624
2022	80,410
2023	63,293
Thereafter	<u>196,828</u>
Total Minimum lease payments	760,684
Less: Amount of Interest	<u>(70,467)</u>
Present value of net minimum lease payments	<u><u>\$690,217</u></u>

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - 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, 2018:

	06/30/18 Beginning Balance	Additions	Reductions	06/30/18 Ending Balance	Amounts Due Within One Year
Bonds	\$7,425,182	\$0	\$555,000	\$6,870,182	\$560,000
Capital Leases	757,753	110,313	177,849	690,217	149,137
KSBIT	26,128	0	13,064	13,064	0
Sick Leave	150,274	41,605	38,124	153,755	49,239
Total	\$8,359,337	\$151,918	\$784,037	\$7,727,218	\$758,376

NOTE 6 - COMMITMENTS UNDER NON-CAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2018 are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2019	\$25,947
2020	0
2021	0
2022	0
2023	0
Total	\$25,947

Expenditures for equipment under operating leases for the year ended June 30, 2018 totaled \$25,947.

NOTE 7 - 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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - 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. Beginning in 2015, COLAs were suspended until the retirement funds reach 100% funded status.

Retirement benefits are calculated using factors for the number of years’ service multiplied by the “final compensation.” Reduced benefits are based on factors of both of these components. Again, the definitions of “final compensation” and the benefit factor for years’ of service depend on the Tier in which the member participates. Benefits in Tier 3, the cash balance plan, are limited to the accumulated contributions and earnings credited to the member’s account, similar to a defined contribution plan.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - RETIREMENT PLAN (cont'd)

Benefits provided (cont'd)

There are, however, minimum rates of return that are guaranteed and funded with employer contributions when actual earnings are less than these minimum rates.

Tier 1	Final Compensation	Average of the highest 5 fiscal years
	Benefit Factor	2.2% prior to 8/1/2004 or 2% after 8/1/2004
	Interest on member accounts	2%
Tier 2	Final Compensation	5 complete fiscal years preceding retirement
	Benefit Factor	Scale of 1.1% to 2% based on number of years of service
	Interest on member accounts	2.50%
Tier 3	Final Compensation	N/A
	Benefit Factor	N/A
	Interest on member accounts	4% plus 75% of the 5 year geometric average earnings in excess of 4%
	Employer Pay Credit	4% of creditable compensation

The 2018 General Assembly enacted several changes to the CERS non-hazardous plan, including the deletion of a guaranteed return for the hybrid cash plan. Interest on member accounts will be determined using 85% of the ten-year geometric average earnings of the CERS non-hazardous plan. However, as of June 30, 2018 these legislative changes have been challenged by the Kentucky Attorney General and other stakeholders. Final determination of the plan revisions is subject to rulings by the Court and additional legislative actions by the General Assembly.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are provided in a \$5,000 lump sum payment. The \$5,000 death benefit was also deleted in the 2018 changes to benefits.

- Death benefits before retirement are based on the member's eligibility for normal or early retirement at the time of death, or five years of service if the member is under the age of 55, or 144 months of service if the member is no longer working for a participating agency.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - RETIREMENT PLAN (cont'd)

Benefits provided (cont'd)

- If beneficiaries are eligible for benefits, they may choose a lifetime monthly benefit or a lump sum payment for an actuarial refund, or annuities for 5 or 10 years of monthly payments.
- If the beneficiary is not eligible for monthly benefits, a lump sum payment of the member's contributions and accumulated interest will be paid. Beneficiaries of Tier 3 members will also include the employer pay credit if the member has at least 5 years of service at the time of death.
- If the member dies as a result of a duty-related death, the decedent's beneficiary will receive the higher of the normal death benefit or \$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.
- Dependent children also receive benefits for duty-related deaths as a monthly benefit equal to 10% of the member's monthly final rate of pay. But, dependent children benefits cannot total more than 40% of the monthly final rate of pay.

Contributions

Required contributions by the employee are based on the tier:

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

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

Plan description

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

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - 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 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.

KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

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

The 2018 General Assembly enacted several changes to the KTRS plan, including the addition of a hybrid cash plan for new KTRS members after January 1, 2019. Interest on member accounts will be determined using the ten-year geometric average earnings of the plan with no guaranteed minimum return. However, as of June 30, 2018 these legislative changes have been challenged by the Kentucky Attorney General and other stakeholders. Final determination of the plan revisions is subject to rulings by the Court and additional legislative actions by the General Assembly.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - RETIREMENT PLAN (cont'd)

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

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

For the state's fiscal year ended June 30, 2017, the State budgeted supplemental appropriations for the Kentucky Teachers Retirement System to improve the system's funded status. Although not actuarially required, these appropriations have been included in the State's share of contributions for the actuarial measurement as of June 30, 2017.

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 \$50,046. The District does not contribute to these plans.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - RETIREMENT PLAN (cont'd)

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

At June 30, 2018, 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.

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	\$	3,583,980
Commonwealth's proportionate share of the net KTRS pension liability associated with the District		31,883,890
	\$	<u>35,467,870</u>

The net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2017, using generally accepted actuarial principles. 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, 2017 the District's proportion was .061230%. For the year ended June 30, 2018, the District recognized pension expense of \$502,930 (\$477,593 in Governmental funds and \$25,337 in Proprietary fund) related to CERS and \$2,269,644 related to KTRS. The District also recognized revenue of \$2,269,644 for KTRS support provided by the Commonwealth.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - RETIREMENT PLAN (cont'd)

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

At June 30, 2018, 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	\$ 4,445	\$ 90,977
Changes of assumptions	661,341	0
Net difference between projected and actual earnings on pension plan investments	283,847	239,517
Changes in proportion and differences between District contributions and proportionate share of contributions	22,750	21,081
District contributions subsequent to the measurement date	206,003	0
	\$ 1,178,386	\$ 351,575

\$206,003 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, 2019. 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:

2019	\$278,068
2020	\$267,308
2021	\$121,453
2022	(\$46,021)
2023	\$0

Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	2.30%	3.50%
Projected salary increases	3.30%-11.55% (varies by service)	4.0-8.2%
Investment rate of return, net of investment expense & inflation	6.25%	7.50%

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - RETIREMENT PLAN (cont'd)

Actuarial assumptions (cont'd)

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. At the time of the last experience study, performed as of June 30, 2013, this mortality assumption provided 37% and 19% margin for future improvement for males and females, respectively. This will be reviewed again when the next experience investigation is conducted.

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

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.

In May 2017, the Kentucky Retirement Systems Board of Trustees adopted a new asset allocation policy based on recommendations from the investment professionals serving as trustees on the Board, the actuarial valuation used a long-term expected rate of return determined by 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 rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS' investment trustees, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	2.0%	1.88%
Total	100.0%	

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - RETIREMENT PLAN (cont'd)

Actuarial assumptions (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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	42.00%	4.40%
International Equity	20.00%	5.30%
Fixed Income	16.00%	1.50%
Additional Categories*	9.00%	3.60%
Real Estate	5.00%	4.40%
Private Equity	6.00%	6.70%
Cash	2.00%	0.80%
Total	<u>100.00%</u>	

**Includes Hedge Funds, High Yield and Non-US Developed Bonds*

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. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2038 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - RETIREMENT PLAN (cont'd)

Discount rate (cont'd)

There was a change in the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB 68, the SEIR of 4.49% at the measurement date was calculated using the Municipal Bond Index Rate as of the measurement date (3.56%). This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 68.

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:

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>
CERS	5.25%		6.25%		7.25%
District's proportionate share of net pension liability	\$ 4,520,174	\$	3,583,980	\$	2,800,861
KTRS	3.49%		4.49%		5.49%
District's proportionate share of net pension liability	\$ 0	\$	0	\$	0

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.

NOTE 8 – 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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

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 2017 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 employee contributions of 6% are allocated to the health insurance plan.

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

At June 30, 2018, the District reported a liability of \$1,230,932 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.061230%.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

The amount recognized by the District as its proportionate share of the OPEB liability was \$1,230,932 as of June 30, 2018, and \$965,507 as of June 30, 2017. The recognition of the District's liability as of June 30, 2017 is reflected as a change in accounting principle in the Statement of Activities and Note 19—Change in Accounting Principle and Related Changes to Certain Beginning Balances.

For the year ended June 30, 2018, the District recognized OPEB expense of \$65,680. At June 30, 2018, 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	\$ -	\$ 3,419
Changes of assumptions	267,843	-
Net difference between projected and actual earnings on OPEB plan investments	-	58,173
Changes in proportion and differences between District contributions and proportionate share of contributions	-	2,856
District contributions subsequent to the measurement date	66,865	-
	\$ 334,708	\$ 64,448

Of the total amount reported as deferred outflows of resources related to OPEB, \$66,865 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, 2019. 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:

<u>Year ended June 30:</u>	
2019	\$34,996
2020	\$34,996
2021	\$34,996
2022	\$34,996
2023	\$49,539
Thereafter	\$13,872

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

Actuarial assumptions – The total OPEB liability in the June 30, 2017 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	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%

Mortality rates were based on the RP-2000 Combined Mortality Table updated with Scale BB from the year 2000 to the year 2013. Pre-retirement mortality male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%. Post-retirement mortality rates for females are set back one year. The RP-2000 Disabled Mortality Table is used for post-retirement mortality using the Scale BB projected to 2025. Male mortality rates are set back four years.

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, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2013 valuation. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May and July 2017 for use with the June 30, 2017 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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield Credit	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	<u>100.00%</u>	<u>6.56%</u>

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

Discount rate – The single discount rate of 5.84% for CERS-Nonhazardous was used to measure the total OPEB liability as of June 30, 2017. 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 3.56%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2017. 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 (26 years as of June 30, 2017) 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. However, the cost associated with the implicit employer subsidy is not currently included in the calculation of the System’s actuarial determined contributions, but 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 5.84%, 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 (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

CERS Other Postemployment Benefits (cont'd)

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>
	4.84%		5.84%		6.84%
District's proportionate share of net OPEB liability	\$ 1,566,293	\$	1,230,932	\$	951,860

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

	<u>1% Decrease</u>		<u>Current Health Care Trend Rate</u>		<u>1% Increase</u>
	6.5% decreasing to 4%		7.5% decreasing to 5%		8.5% decreasing to 6%
District's proportionate share of net OPEB liability	\$ 944,189	\$	1,230,932	\$	1,603,683

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

KTRS Postemployment Health Care Benefits

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

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

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

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.

For the state's fiscal year ended June 30, 2017, the State budgeted supplemental appropriations for the Kentucky Teachers Retirement System to improve the system's funded status. Although not actuarially required, these appropriations have been included in the State's share of contributions for the actuarial measurement as of June 30, 2017.

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

At June 30, 2018, the District reported a liability of \$2,221,000 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, 2017, 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, 2017, the District's proportion was .02290%.

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:

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

District's proportionate share of the net KTRS OPEB liability	\$	2,221,000
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District		1,814,000
Total	\$	4,035,000

The recognition of the District's liability as of June 30, 2017, \$ 2,199,054, is reflected as a change in accounting principle in the Statement of Activities and Note 19—Change in Accounting Principle and Related Changes to Certain Beginning Balances.

For the year ended June 30, 2018, the District recognized OPEB expense of \$164,112 and revenue of \$118,000 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-	\$ 29,000
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-	-
District contributions subsequent to the measurement date	111,554	-	-
	\$ 111,554	-	\$ 29,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$111,554 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, 2019. 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:

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Health Care Benefits (cont'd)

Year ended June 30:

2019	(\$7,250)
2020	(\$7,250)
2021	(\$7,250)
2022	(\$7,250)
2023	\$ -
Thereafter	\$ -

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
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, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories*	10.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	<u>100.0%</u>	

**Modeled as 50% High Yield and 50% Bank Loans.*

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer 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:

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – 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	\$ 2,586,334	\$	2,221,000	\$	1,917,047

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
	6.75%		7.75%		8.75%
	decreasing to 4%		decreasing to 5%		decreasing to 6%
District's proportionate share of net OPEB liability	\$ 1,860,355	\$	2,221,000	\$	2,666,693

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Life Insurance Benefits (cont'd)

For the state's fiscal year ended June 30, 2017, the State budgeted supplemental appropriations for the Kentucky Teachers Retirement System to improve the system's funded status. Although not actuarially required, these appropriations have been included in the State's share of contributions for the actuarial measurement as of June 30, 2017.

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

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

District's proportionate share of the net KTRS OPEB liability	\$	-
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District		24,000
	\$	24,000

For the year ended June 30, 2018, the District recognized OPEB expense of \$4,000 and revenue of \$4,000 for support provided by the State.

Actuarial assumptions – The total OPEB liability in the June 30, 2017 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	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Life Insurance Benefits (cont'd)

The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

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

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

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

<u>Asset Class*</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Large Cap Equity	38.4%	4.3%
U.S. Small Cap Equity	2.6%	4.8%
Developed Int'l Equity	15.8%	5.2%
Emerging Markets Equity	4.2%	5.4%
Fixed Income - Inv Grade	16.0%	1.2%
Real Estate	6.0%	4.0%
Private Equity	7.0%	6.6%
High Yield	2.0%	4.3%
Other Additional Categories**	7.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	<u>100.0%</u>	

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

***Modeled as 50% High Yield and 50% Bank Loans.*

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)

KTRS Postemployment Life Insurance Benefits (cont'd)

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease		Current Discount Rate		1% Increase
	6.50%		7.50%		8.50%
District's proportionate share of LIF net OPEB liability	\$ -	\$	-	\$	-

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

NOTE 9 – 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, 2018, this amount totaled \$153,755.

NOTE 10 - 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 11 - 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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – CONTINGENCIES (Cont'd)

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 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. 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 13 - 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).

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 - DEFICIT OPERATING/ FUND BALANCES

The Food Service Fund is operating as a deficit fund balance of \$163,799 at June 30, 2018. The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in the following reductions of fund balances:

Food Service	\$21,960
Construction	\$7,690

NOTE 15 – INTERFUND TRANSACTIONS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS Matching	\$32,976
General	District Activity	Student Activity	\$3,100
Building	Debt Service	Debt Service	\$438,648

NOTE 16 - ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2018, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Kentucky Teachers Retirement System	\$ 1,221,060
Health & Life Insurance	1,197,935
KISTA	30,431
Technology	27,728
Debt Service	368,134
Recognized at the Fund Level	\$ 2,845,288
Additional pension expense recognized at the Government-Wide Level	\$ 1,170,584
Total On-Behalf	\$ 4,015,872

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	\$	2,387,699
Food Service Fund		59,024
Debt Service Fund		398,565
Total	\$	2,845,288

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 17– 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 18 – SUBSEQUENT EVENTS

In preparing these financial statements, management of the District has evaluated events and transaction for potential recognition or disclosure through October 6, 2018, the date the financial statements were available to be issued.

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2017, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 revised employer accounting and reporting for other postemployment benefits (OPEB) and implement requirements similar to the provisions of GASBS No. 68 and No. 73 for pension benefits. GASB 75 requires governments providing defined benefit OPEB to recognize their long-term obligation for OPEB benefits as a liability to more comprehensively and comparably measure the annual costs of OPEB benefits. Cost-sharing governmental employers, such as the District, are required to report a net OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 75 required retrospective application. Since the District only presents one year of financial information, the beginning net position was adjusted to reflect the retrospective application. The adjustment resulted in a \$2,942,237 reduction in net position for Governmental Activities and a \$45,089 reduction in net position for Business-Type Activities as shown on the Statement of Activities and in the following table:

	Governmental Activities	Business-Type Activities
CERS Net OPEB Liability at 6/30/17	\$ (916,866)	\$ (48,641)
CERS OPEB Deferred Outflows at 6/30/17	66,963	3,552
KTRS Net OPEB Liability at 6/30/17	(2,199,054)	-
KTRS OPEB Deferred Outflows at 6/30/17	106,720	-
Total Restatement of Net Position	<u>\$ (2,942,237)</u>	<u>\$ (45,089)</u>

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, 2018**

	<u>Reporting Fiscal Year (Measurement Date)</u> 2018 (2017)	<u>Reporting Fiscal Year (Measurement Date)</u> 2017 (2016)	<u>Reporting Fiscal Year (Measurement Date)</u> 2016 (2015)	<u>Reporting Fiscal Year (Measurement Date)</u> 2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:				
District's proportion of the net pension liability	0.061230%	0.061114%	0.062460%	0.059290%
District's proportionate share of the net pension liability	\$ 3,583,980	\$ 3,009,036	\$ 2,685,437	\$ 1,923,000
District's covered-employee payroll	\$ 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	246.32%	206.87%	136.90%	131.96%
Plan fiduciary net position as a percentage of the total pension liability	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%
District's proportionate share of the net pension liability	-	-	-	-
State's proportionate share of the net pension liability associated with the District	<u>\$ 31,883,890</u>	<u>\$ 35,652,060</u>	<u>\$ 29,954,231</u>	<u>\$ 30,126,070</u>
Total	<u>\$ 31,883,890</u>	<u>\$ 35,652,060</u>	<u>\$ 29,954,231</u>	<u>\$ 30,126,070</u>
District's covered-employee payroll	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	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.

**MENIFEE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
FOR THE YEAR ENDED JUNE 30, 2018**

	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM:				
Contractually required contribution	\$ 207,967	\$ 173,629	\$ 186,481	\$ 257,491
Contributions in relation to the contractually required contribution	<u>207,967</u>	<u>173,629</u>	<u>186,481</u>	<u>257,491</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 1,455,002	\$ 1,454,566	\$ 1,961,629	\$ 1,457,224
District's contributions as a percentage of its covered-employee payroll	14.29%	11.94%	9.51%	17.67%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 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%

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 - PENSION
FOR THE YEAR ENDED JUNE 30, 2018**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Changes of Benefit Terms -

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

Changes of Assumptions -

Investment rate of return was lowered from 7.5% to 6.25%

Salary increases were revised from an average of 4% to a range of 3.3% - 11.55%

Inflation was lowered from 3.25% to 2.3%

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Changes of Assumptions:

There was a change in the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB 68, the SEIR of 4.49% at the measurement date was calculated using the Municipal Bond Index Rate as of the measurement date (3.56%).

**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, 2018**

	Reporting Fiscal Year (Measurement Date)
	2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
District's proportion of the net OPEB liability	0.061230%
District's proportionate share of the net OPEB liability	\$ 1,230,932
District's covered-employee payroll	\$ 1,455,002
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
District's proportion of the net OPEB liability	0.062290%
District's proportionate share of the net OPEB liability	2,221,000
State's proportionate share of the net OPEB liability associated with the District	\$ 1,814,000
Total	\$ 4,035,000
District's covered-employee payroll	\$ 4,241,958
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	52.36%
Plan fiduciary net position as a percentage of the total OPEB liability	26.70%

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

**MENIFEE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL
 INSURANCE PLAN
 FOR THE YEAR ENDED JUNE 30, 2018**

	2017
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
Contractually required contribution	\$ 70,515
Contributions in relation to the contractually required contribution	70,515
Contribution deficiency (excess)	-
District's covered-employee payroll	\$ 1,455,002
District's contributions as a percentage of its covered-employee payroll	4.85%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
Contractually required contribution	\$ 106,720
Contributions in relation to the contractually required contribution	106,720
Contribution deficiency (excess)	-
District's covered-employee payroll	\$ 4,241,958
District's contributions as a percentage of its covered-employee payroll	2.52%

Note: Schedule is intended to show information for the last 10 fiscal years.
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, 2018**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Valuation Date: June 30, 2017

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

June 30, 2017 (Valuation Date: June 30, 2016)

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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB
LIABILITY - LIFE INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2018**

	Reporting Fiscal Year (Measurement Date)
	2018 (2017)
KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
District's proportion of the net OPEB liability	0%
District's proportionate share of the net OPEB liability	-
State's proportionate share of the net OPEB liability associated with the District	\$ 24,000
Total	\$ 24,000
District's covered-employee payroll	\$ 4,241,958
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	87.80%

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

**MENIFEE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - LIFE INSURANCE
PLAN
FOR THE YEAR ENDED JUNE 30, 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	\$	4,241,958
District's contributions as a percentage of its covered-employee payroll		0.00%

Note: Schedule is intended to show information for the last 10 fiscal years.
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, 2018**

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

June 30, 2017 (Valuation Date: June 30, 2016)

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, 2018**

	DISTRICT ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	CONSTRUCTION FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS:						
Cash and cash equivalents	\$ 40,075	\$ 125,939	\$ 128,626	\$ 143,389	\$ -	\$ 438,029
TOTAL ASSETS	\$ 40,075	\$ 125,939	\$ 128,626	\$ 143,389	\$ -	\$ 438,029
FUND BALANCES:						
Restricted	\$ 40,075	\$ 125,939	\$ 128,626	\$ 143,389	\$ -	\$ 438,029
TOTAL FUND BALANCES	\$ 40,075	\$ 125,939	\$ 128,626	\$ 143,389	\$ -	\$ 438,029

**MENIFEE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	DISTRICT ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	CONSTRUCTION FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:						
From local sources:						
Taxes:						
Property	\$ -	\$ -	\$ 195,640	\$ -	\$ -	\$ 195,640
Interest on investments	1	-	-	-	-	1
Other	23,032	-	-	-	-	23,032
Intergovernmental - State	-	94,910	273,751	-	398,565	767,226
TOTAL REVENUES	<u>23,033</u>	<u>94,910</u>	<u>469,391</u>	<u>-</u>	<u>398,565</u>	<u>985,899</u>
EXPENDITURES:						
Current:						
Instruction	20,564	-	-	-	-	20,564
Plant operations and maintenance	-	-	-	7,690	-	7,690
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	837,213	837,213
TOTAL EXPENDITURES	<u>20,564</u>	<u>-</u>	<u>-</u>	<u>7,690</u>	<u>837,213</u>	<u>865,467</u>
Excess (Deficit) of Revenues over Expenditures	<u>2,469</u>	<u>94,910</u>	<u>469,391</u>	<u>(7,690)</u>	<u>(438,648)</u>	<u>120,432</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	3,100	-	-	-	438,648	441,748
Operating transfers out	-	-	(438,648)	-	-	(438,648)
TOTAL OTHER FINANCING SOURCES (USES):	<u>3,100</u>	<u>-</u>	<u>(438,648)</u>	<u>-</u>	<u>438,648</u>	<u>3,100</u>
Net Change in Fund Balances	5,569	94,910	30,743	(7,690)	-	123,532
Fund balance - beginning of year	34,506	31,029	97,883	151,079	-	314,497
Fund balance - end of year	<u>\$ 40,075</u>	<u>\$ 125,939</u>	<u>\$ 128,626</u>	<u>\$ 143,389</u>	<u>\$ -</u>	<u>\$ 438,029</u>

**MENIFEE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 SCHOOL ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

	Cash Balances June 30, 2017	Receipts	Disbursements	Cash Balances June 30, 2018	Accounts Receivable June 30, 2018	Accounts Payable June 30, 2018	Due To Student Groups June 30, 2018
Menifee Co. High School	\$ 36,327	\$ 157,922	\$ 169,534	\$ 24,714	\$ -	\$ -	\$ 24,714
Menifee Co. Elementary	13,266	41,450	45,436	9,280	-	-	9,280
Botts Elementary	1,343	8,160	8,335	1,168	-	-	1,168
	<u>\$ 50,936</u>	<u>\$ 207,532</u>	<u>\$ 223,305</u>	<u>\$ 35,162</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,162</u>

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MENIFEE COUNTY COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

ACCOUNTS:	Cash Balances June 30, 2017	Receipts	Disbursements	Cash Balances June 30, 2018	Accounts Receivable June 30, 2018	Accounts Payable June 30, 2018	Due To Student Groups June 30, 2018
General Fund	\$ 319	\$ 1,136	\$ 1,449	\$ 6	\$ -	\$ -	\$ 6
Sweep	-	-	-	-	-	-	-
Faculty Vending	244	131	330	44	-	-	44
Student Vending	608	607	958	257	-	-	257
Student Parking	285	310	155	440	-	-	440
Volleyball	246	1,935	1,398	783	-	-	783
Wrestling	18	-	18	-	-	-	-
Athletic Concessions	1,889	17,603	18,442	1,050	-	-	1,050
Baseball - Boys	1,676	4,035	3,260	2,451	-	-	2,451
Basketball - Boys	1,485	-	1,485	-	-	-	-
Basketball - Girls	999	-	999	-	-	-	-
Cross Country - Boys	-	-	-	-	-	-	-
Softball - Girls	-	-	-	-	-	-	-
Track	-	-	-	-	-	-	-
Golf	185	-	185	-	-	-	-
Soccer - Boys	-	-	-	-	-	-	-
Soccer - Girls	-	-	-	-	-	-	-
Varsity Cheerleading	2,611	5,973	8,284	300	-	-	300
Bass Fishing	62	-	62	-	-	-	-
Archery	20	-	20	-	-	-	-
Soccer Support - Boys	1,007	5,839	4,561	2,285	-	-	2,285
Soccer Support - Girls	1,535	3,020	4,553	1	-	-	1
P.E. Donations	2	-	-	2	-	-	2
FCCLA	2,279	9,799	7,839	4,239	-	-	4,239
FFA	5,275	7,227	12,190	312	-	-	312
Wildcat Medical Club	90	-	-	90	-	-	90
Pep Club	20	-	-	20	-	-	20
Journalism	6,108	2,075	4,600	3,583	-	-	3,583
Athletics	2,709	37,905	39,244	1,370	-	-	1,370
Junior Class	2,843	4,225	3,676	3,392	-	-	3,392
Senior Class	3	39,855	38,983	874	-	-	874
Senior Class 2	-	-	-	-	-	-	-
BETA Club	320	-	80	240	-	-	240
Spanish	-	765	765	-	-	-	-
Band	186	5,786	4,187	1,785	-	-	1,785
Special Education	66	173	223	17	-	-	17
Academic	16	-	-	16	-	-	16
Library	150	16	-	166	-	-	166
FCA	54	416	460	11	-	-	11
FFA Dues	774	570	1,344	-	-	-	-
Student Council	943	4,186	4,913	216	-	-	216
Book Club	306	-	306	-	-	-	-
Start-Up Change	-	400	-	400	-	-	400
KDTC Scholarship	-	-	-	-	-	-	-
Guidance	817	764	1,423	158	-	-	158
Y-Club	178	-	-	178	-	-	178
Relay for Life	-	694	694	-	-	-	-
National Honor Society	-	30	-	30	-	-	30
Wildcat Behavior	-	2,449	2,448	1	-	-	1
TOTALS	\$ 36,327	\$ 157,922	\$ 169,534	\$ 24,714	\$ -	\$ -	\$ 24,714

MENIFEE COUNTY BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2018

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<i>Passed Thru Kentucky Department of Education</i>			
<i>United States Department of Education</i>			
Special Education Cluster (IDEA)-Cluster			
Department of Education			
Special Education_Grants to States	84.027	3810002-16	\$ 17,349
Special Education_Grants to States	84.027	3810002-17	235,701
Special Education_Grants to States			<u>253,050</u>
Total Special Education_Grants to States			
Special Education_Preschool Grants	84.173	3800002-17	8,303
Special Education_Preschool Grants	84.173	3800002-16	7,496
Special Education_Preschool Grants			<u>15,799</u>
Total Special Education_Preschool Grants			<u>268,849</u>
Total Special Education Cluster (IDEA)-Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002-16	33,253
Title I Grants to Local Educational Agencies	84.010	3100002-17	504,261
Title I Grants to Local Educational Agencies	84.010	3100202-16	9,061
Title I Grants to Local Educational Agencies	84.010	3100202-17	27,184
Title I Grants to Local Educational Agencies			<u>573,759</u>
Total Title I Grants to Local Educational Agencies			
Career and Technical Education -- Basic Grants to States	84.048	3710002-16	2,361
Career and Technical Education -- Basic Grants to States	84.048	3710002-17	9,541
Career and Technical Education -- Basic Grants to States			<u>11,902</u>
Total Career and Technical Education -- Basic Grants to States			
Fund for the Improvement of Education	84.215	PEP CAROL M WHITE PHYSICAL ED--532CF	40,968
Fund for the Improvement of Education			<u>40,968</u>
Total Fund for the Improvement of Education			
Rural Education	84.358	3140002-D	17,946
Rural Education	84.358	3140002-C	5,501
Rural Education			<u>23,447</u>
Total Rural Education			
Improving Teacher Quality State Grants	84.367	3230002-17	57,682
Improving Teacher Quality State Grants	84.367	3230002-16	204
Improving Teacher Quality State Grants			<u>57,886</u>
Total Improving Teacher Quality State Grants			
Student Support and Academic Enrichment Program	84.424	3420002-17	4,127
Student Support and Academic Enrichment Program			<u>4,127</u>
Total Student Support and Academic Enrichment Program			
<i>Passed Through Berea College</i>			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379D	58,810
Total Gaining Early Awareness and Readiness for Undergraduate Programs			<u>58,810</u>
<i>Total Department of Education</i>			<u>1,039,748</u>

MENIFEE COUNTY BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2018

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<i>Passed Thru Kentucky Department of Education</i>			
United States Department of Agriculture			
Child Nutrition Cluster	10.555	402823	53,854
Summer School Feeding Program	10.559	7690024-17	1,853
Summer School Feeding Program	10.559	7690024-18	7,687
Summer School Feeding Program	10.559	7740023-17	17,953
Summer School Feeding Program	10.559	7740023-18	24,108
Fresh Fruit and Vegatble Program	10.582	7720012-18	10,966
National School Lunch Program	10.555	7750002-17	95,834
National School Lunch Program	10.555	7750002-18	371,343
School Breakfast Program	10.553	7760005-17	48,066
School Breakfast Program	10.553	7760005-18	186,482
Total Child Nutrition Cluster			818,145
		RUS (RURAL UTILITY SERVICES)	
Distance Learning and Telemedicine Grants	10.855	GRANT--5223	8,186
Total Distance Learning and Telemedicine Grants			8,186
<i>Total United States Department of Agriculture</i>			826,331
<i>Total Expenditures of Federal Awards</i>			\$ 1,866,079

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

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, 2018. 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, 2018, the District received food commodities totaling \$53,854.

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

MEMBERS:

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OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
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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, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, as defined in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky public School District's Audit Contract and Requirements, 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, 2018, 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 October 6, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We noted certain matters that we reported to management for the District in a separate letter dated October 6, 2018.

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
October 6, 2018

SUMMERS, MCCRARY & SPARKS, P.S.C.
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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

Kentucky State Committee for School District Audits
Members of 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, 2018. 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, 2018.

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
October 6, 2018

**MENIFEE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

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
10.553, 10.555, 10.559 & 10.582	Child Nutrition Cluster

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, 2018**

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, 2018**

Financial Statement Findings

2017-001 Working Budget Submission

Condition: The working budget was not submitted by September 30, 2016 as required by the state

Criteria: Each local board must submit a working budget to the Kentucky Board of Education by September 30 – KRS 160.470(6)(a) and (b) and 702 KAR 3:110

Effect: Noncompliance with Kentucky Revised Statutes and Kentucky Administrative Regulations

Recommendation: The working budget should be submitted to the Kentucky Board of Education on or before September 30 each year.

Views of Responsible Officials and Planned Corrective Actions:

The finance department has implemented the following procedures to ensure state requirements are met: The monthly finance calendar provided by the Department of Education has been posted in the finance department and will be reviewed monthly by the finance director and the state manager to ensure compliance.

Current Status: The recommendation was adopted during the current year. No similar findings were noted in the 2018 audit.

Federal Award Findings and Questioned Costs

There were no findings in the prior year.

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

MEMBERS:

AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES
PRACTICE SECTION OF THE AMERICAN INSTITUTE
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THOMAS S. SPARKS, CPA
RYAN R. LASKI, CPA

SUSAN A. LACY, CPA
JUSTIN B. NICHOLS, CPA
MATTHEW T. WADE, CPA

LAURENCE T. SUMMERS
1961-1992

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, 2018, 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 October 6, 2018 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
October 6, 2018

**MENIFEE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2018**

BOARD

Comment: During our testing of cash disbursements it was noted that many purchase orders were not properly approved.

Response: We have modified our purchasing procedures to address this issue.

Comment: While performing audit procedures over cash it was noted that the reconciled cash balance did not agree to the general ledger cash balance.

Response: We have determined the source of this issue and have corrected it.

SCHOOL ACTIVITY FUNDS

MENIFEE COUNTY HIGH SCHOOL

Comment: During our testing, we found two receivables that had not been recorded on the June Accounts Receivable and Account Payable Form (F-SA-15B). We recommend the bookkeeper review the definitions of "Accounts Payable" and "Receivables" in the "Redbook".

Response: We have reviewed the definitions and made corrections so this does not happen in the future.

Comment: During our review of transfers we found multiple instances of when an account was closed its balance was not transferred to the General Fund. We recommend the bookkeeper and Principal review the "Inactive Account Balances" section of the "Redbook", which states when an account has become inactive, and the student organization did not designate in writing how the unobligated remaining funds shall be disposed, the funds shall be transferred to the school activity general account.

Response: We have corrected this and will ensure this does not happen in the future.

MENIFEE COUNTY ELEMENTARY SCHOOL

Comment: During our review of cash receipts, we found the Inventory Control Form (F-SA-5), was not being completed for concessions. We recommend the bookkeeper review the "Fundraising" section of the "Redbook", which states fundraiser activities such as concession, shall use the Inventory Control Worksheet (F-SA-5).

Response: We have addressed this issue and have procedures to correct this issue.

Comment: During our review of cash disbursements, we found one instance of a purchase being completed without a purchase order and one instance of an invoice being paid for more than the amount approved on the purchase order. We recommend the bookkeeper review the "Purchasing" and "Expenditures" section of the "Redbook", which states before being processed, each disbursement shall be documented by a completed purchase order, and the school treasurer shall match up the purchase order and vendor invoice and verify amounts agree.

Response: We have modified our purchasing procedures to address this issue.

BOTTS ELEMENTARY

Comment: During our review of the AFR we noted multiple accounts that did not have activity during the preceding 12 months. We recommend the bookkeeper and Principal review the "Inactive Account Balances" section of the "Redbook", which states an activity account will be considered inactive if there has been no activity during the preceding 12 months. When an account has become inactive, its funds need to be transferred to an account designated in writing by the student organization or the funds shall be transferred to the school activity general account.

Response: We will review for inactive accounts and address these as noted.

Comment: During our review of cash disbursements, we found one cleared check that did not have two authorized signatures. We recommend the bookkeeper and Principal review the "Expenditures" section of the "Redbook", which states all checks shall contain the signatures of the Principal's designee, and the school treasurer.

Response: We will add procedures to ensure all checks have dual signatures prior to disbursement.

STATUS OF PRIOR YEAR COMMENTS

BOARD

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

SCHOOL ACTIVITY FUNDS

MENIFEE COUNTY HIGH SCHOOL

Previously, during our testing, we found payables and receivables that had not been recorded on the June Accounts Receivable and Account Payable Form (F-SA-15B). We recommend the bookkeeper review the definitions of "Accounts Payable" and "Receivables" in the "Redbook". There was a similar finding is the current year.

MENIFEE COUNTY ELEMENTARY SCHOOL

Previously, we found the Fundraiser Approval Forms (F-SA-2A) were not completed correctly. The form did not indicate approval of the fundraiser. We recommend the bookkeeper review the "Fundraiser" section of the "Redbook", which states the Fund Raiser Approval Form should be completed before the fundraiser begins. There were no similar findings in the current year.

BOTTS ELEMENTARY

Previously, we found the Fundraiser Approval Forms (F-SA-2A) were not completed correctly. The form did not indicate approval of the fundraiser. We recommend the bookkeeper review the "Fundraiser" section of the "Redbook", which states the Fund Raiser Approval Form should be completed before the fundraiser begins. There were no similar findings in the current year.