

Menifee County School District
Audited Financial Statements
and Required Supplementary Information
June 30, 2017

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

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PRACTICE SECTION OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

STUART K. MCCRARY, JR., CPA
THOMAS S. SPARKS, CPA
RYAN R. LASKI, CPA

JUSTIN B. NICHOLS, CPA
SUSAN A. LACY, CPA

LAURENCE T. SUMMERS
1961-1992

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Menifee County School District (the District) as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position and, when applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of district's proportionate share of net pension liability, and schedule of contributions on pages 4-10 and 54-55, respectively, 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 September 26, 2017, 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
September 26, 2017

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

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, 2017. 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 \$8,419,300 in revenue, which primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$8,403,488 in General Fund expenditures. This includes on-behalf payments of \$1,706,349.

The beginning General Fund balance was \$1,060,087. The ending balance for the General Fund was \$1,220,970 for June 30, 2017, noting an increase of \$160,883 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.

On July 13, 2016, the Menifee County Board of Education approved the 2016 tax rate of 54.4 for real estate and 54.7 for tangible property that included an additional nickel to be restricted to the Building Fund. A petition was validated on August 30, 2016 asking for a recall of the approved tax rate. The Menifee County Board of Education did not recall the nickel increase. So a special election was set for January 3, 2017, to determine the disposition of the tax rate. Tax bills for 2016 will be printed and set at the rate of 50.1 for real estate and tangible property pursuant to KRS132.017(3)(d).

On January 3, 2017, the Menifee County voters passed the nickel tax. Additional tax bills were sent out on February 1, 2017 to applicable taxpayers and were collected by the sheriff. This will enable the school district to increase the amount of funding that can be used for facility purposes.

The Menifee County School District is in the process of purchasing land to construct a new K-8 school building with the intention of starting a construction project in the future due to the adoption of the new nickel tax.

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.

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

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.

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 is 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.

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

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.

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 23-53 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 exceeded liabilities by \$3.5 million as of June 30, 2017 as compared to \$3.1 million in the prior year. An increase of \$0.4 million.

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current Assets	\$ 1,971,911	\$ 1,858,366	\$ 113,545
Noncurrent Assets	12,277,444	12,531,710	(254,266)
Total Assets	<u>14,249,355</u>	<u>14,390,076</u>	<u>(140,721)</u>
Deferred Outflows of Resources	<u>790,826</u>	<u>647,131</u>	<u>143,695</u>
Current Liabilities	987,044	1,367,512	(380,468)
Noncurrent Liabilities	10,591,115	10,573,068	18,047
Total Liabilities	<u>11,578,159</u>	<u>11,940,580</u>	<u>(362,421)</u>
Deferred Inflows of Resources	<u>36,032</u>	<u>-</u>	<u>36,032</u>
Net Position			
Net investment in capital assets	4,094,509	3,753,119	341,390
Restricted	207,088	215,174	(8,086)
Unrestricted	(875,608)	(871,666)	(3,942)
Total Net Position	<u>\$ 3,425,989</u>	<u>\$ 3,096,627</u>	<u>\$ 329,362</u>

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2016 and 2017.

	Summary of Revenue and Expenditures					
	Governmental		Business-type		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Local revenue sources	\$1,376,715	\$1,435,512	\$73,571	\$75,961	\$1,450,286	\$1,511,473
State revenue sources	10,776,041	9,445,835	86,960	56,430	10,863,001	9,502,265
Federal revenue sources	1,256,498	1,212,606	880,517	818,246	2,137,015	2,030,852
Investments	19,858	16,318	0	0	19,858	16,318
Total Revenue	13,429,112	12,110,271	1,041,048	950,637	14,470,160	13,060,908
Expenses:						
Instruction	6,637,932	5,655,891	0	0	6,637,932	5,655,891
Student support services	1,429,692	1,276,650	0	0	1,429,692	1,276,650
Instructional support	470,081	436,937	0	0	470,081	436,937
District administration	375,306	435,649	0	0	375,306	435,649
School administration	681,169	577,771	0	0	681,169	577,771
Business support	550,699	445,732	0	0	550,699	445,732
Plant operations	1,452,139	1,470,525	0	0	1,452,139	1,470,525
Student transportation	1,109,132	986,948	0	0	1,109,132	986,948
Community service	175,162	153,980	0	0	175,162	153,980
Interest on long-term debt	211,042	345,665	0	0	211,042	345,665
Food service	0	0	1,048,444	950,978	1,048,444	950,978
Total Expenses	13,092,354	11,785,748	1,048,444	950,978	14,140,798	12,736,726
Change in net position	336,758	324,523	(7,396)	(341)	329,362	324,182
Beginning net position	3,185,981	2,861,458	(89,354)	(89,013)	3,096,627	2,772,445
Ending net position	\$3,522,739	\$3,185,981	(\$96,750)	(\$89,354)	\$3,425,989	\$3,096,627

Governmental Activities

The majority of revenue was derived from state funding making up 80% of the total revenue and local taxes making up 10% of total revenue. Instruction makes up 51% of total Governmental Fund Expenditures. Central support services expenditures are: Transportation 8%, Maintenance & Operations 11%, School Administration 5% and Other Support Functions 25%.

Business-Type Activities

Revenues for Food Service Fund totals \$1,041,048 as of June 30, 2017, an increase of \$90,411 from 2016. These revenues include lunchroom sales, federal and state grants, and federal commodities. Total Operating Expenditures for Food Service Fund totals \$1,048,444 as of June 30, 2017, an increase of \$97,466 from 2016. The Change in Net position (Revenues less Expenditures) for the Food Service Fund is a decrease of \$7,396.

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons

The District’s total general fund revenues for the fiscal year ended June 30, 2017 net of inter-fund transfers, were \$8,419,300, a decrease of \$391,820 from the total revenues of \$8,811,120 for 2016.

General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$126,575 less than budget. General fund budget compared to actual expenditures varied slightly from line item to line item with the ending actual expenditures being \$384,465 less than budgeted.

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

For the Year ending June 30, 2017

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>FOOD SERVICE FUND</u>
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)

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

For the Year ending June 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	FOOD SERVICE FUND
REVENUES:			
From local sources:			
Taxes:			
Property	\$ 585,278	\$ 0	\$ 0
Motor vehicle	136,744	0	0
Utilities	260,776	0	0
Franchise	98,731	0	0
Unmined minerals	1,090	0	0
Earnings on investments	12,565	0	0
Other local revenues	218,598	26,916	0
Intergovernmental - state	7,276,705	372,546	56,430
Intergovernmental - federal	220,633	991,973	818,246
Lunchroom sales	0	0	75,961
TOTAL REVENUES	\$ 8,811,120	\$ 1,391,435	\$ 950,637
EXPENDITURES:			
Instruction:	\$ 4,152,649	\$ 737,126	\$ 0
Support Services:			
Student	719,966	310,460	0
Instructional staff	217,858	171,408	0
District administration	383,502	3,339	0
School administration	470,416	0	0
Business	365,175	289	0
Plant operations and maintenance	1,094,835	12,886	0
Student transportation	832,538	45,948	0
Food Service	0	0	950,978
Community Service	404	151,521	0
Debt service	142,105	0	0
TOTAL EXPENDITURES	\$ 8,379,448	\$ 1,432,977	\$ 950,978
Excess (Deficit) of Revenues over Expenditures	\$ 431,672	\$ (41,542)	\$ (341)

Debt

At June 30, 2016, the School District had \$8,182,935 in revenue bonds and capital leases outstanding; of this amount \$3,472,958 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$732,849 is due within one year.

Capital Assets

The Board added \$364,979 to the governmental funds and \$0 to the proprietary funds in capital assets during the year, primarily for construction projects, technology equipment and school buses.

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

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, 2017**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 1,422,953	\$ 220,526	\$ 1,643,479
Accounts receivable			
Accounts	43,204	29,007	72,211
Intergovernmental - Federal	227,885	-	227,885
Inventory	-	12,936	12,936
Prepaid Expenses	15,400	-	15,400
Total Current Assets	<u>1,709,442</u>	<u>262,469</u>	<u>1,971,911</u>
Noncurrent Assets			
Non-depreciated capital assets	50,600	-	50,600
Net depreciated capital assets	12,216,185	10,659	12,226,844
Total Noncurrent Assets	<u>12,266,785</u>	<u>10,659</u>	<u>12,277,444</u>
TOTAL ASSETS	<u>13,976,227</u>	<u>273,128</u>	<u>14,249,355</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension	701,123	89,703	790,826
Total deferred outflow of resources	<u>701,123</u>	<u>89,703</u>	<u>790,826</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	18,479	5,760	24,239
Current portion of bond obligations	555,000	-	555,000
Current portion of capital lease obligations	177,849	-	177,849
Current portion of accrued sick leave	37,877	-	37,877
Accrued interest payable	53,631	-	53,631
Unearned revenues	131,916	-	131,916
Current portion of KSBIT payable	6,532	-	6,532
Total Current Liabilities	<u>981,284</u>	<u>5,760</u>	<u>987,044</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	6,870,182	-	6,870,182
Noncurrent portion of capital lease obligations	579,904	-	579,904
KSBIT Payable	19,596	-	19,596
Net pension liability	2,560,874	448,162	3,009,036
Noncurrent portion of accrued sick leave	112,397	-	112,397
Total Noncurrent Liabilities	<u>10,142,953</u>	<u>448,162</u>	<u>10,591,115</u>
TOTAL LIABILITIES	<u>11,124,237</u>	<u>453,922</u>	<u>11,578,159</u>
DEFERRED INFLOW OF RESOURCES			
Pension	30,373	5,659	36,032
Total deferred inflow of resources	<u>30,373</u>	<u>5,659</u>	<u>36,032</u>
NET POSITION			
Net Investment in Capital Assets	4,083,850	10,659	4,094,509
Restricted			
Capital projects (expendable)	279,991	-	279,991
Other purposes	34,506	(107,409)	(72,903)
Unrestricted	(875,608)	-	(875,608)
TOTAL NET POSITION	<u>\$ 3,522,739</u>	<u>\$ (96,750)</u>	<u>\$ 3,425,989</u>

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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	\$ 6,637,932	\$ -	\$ 3,095,202	\$ -	\$ (3,542,730)	\$ -	\$ (3,542,730)
Support Services:							
Student	1,429,692	3,111	698,782	-	(727,799)	-	(727,799)
Instructional staff	470,081	-	239,180	-	(230,901)	-	(230,901)
District administration	375,306	-	238,455	-	(136,851)	-	(136,851)
School administration	681,169	-	316,246	-	(364,923)	-	(364,923)
Business	550,699	-	243,974	-	(306,725)	-	(306,725)
Plant operations and maintenance	1,452,139	-	804,900	-	(647,239)	-	(647,239)
Student transportation	1,109,132	-	540,211	-	(568,921)	-	(568,921)
Community services	175,162	-	84,282	-	(90,880)	-	(90,880)
Interest on long-term debt	211,042	-	-	410,986	199,944	-	199,944
Total Governmental Activities	13,092,354	3,111	6,261,232	410,986	(6,417,025)	-	(6,417,025)
Business Type Activities:							
Food Service	1,048,444	73,571	967,477	-	-	(7,396)	(7,396)
Total Business Type Activities	1,048,444	73,571	967,477	-	-	(7,396)	(7,396)
Total Primary Government	\$ 14,140,798	\$ 76,682	\$ 7,228,709	\$ 410,986	\$ (6,417,025)	\$ (7,396)	\$ (6,424,421)
			General Revenues:				
			Taxes:				
			Property		\$ 748,138	\$ -	\$ 748,138
			Motor vehicle		139,276	-	139,276
			Utilities		281,597	-	281,597
			Franchise		142,281	-	142,281
			Unmined minerals		1,144	-	1,144
			State and formula grants		5,360,321	-	5,360,321
			Interest and investment earnings		19,858	-	19,858
			Miscellaneous		61,168	-	61,168
			Total General Revenues and Transfers		6,753,783	-	6,753,783
			Change in Net Position		336,758	(7,396)	329,362
			Net Position - beginning of year		3,185,981	(89,354)	3,096,627
			Net Position - end of year		\$ 3,522,739	\$ (96,750)	\$ 3,425,989

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and cash equivalents	\$ 1,204,425	\$ -	\$ 314,497	\$ 1,518,922
Accounts receivable				
Accounts	43,204	-	-	43,204
Intergovernmental - Federal	-	227,885	-	227,885
Dues from other funds	-	-	-	-
Prepaid Expenses	15,400	-	-	15,400
TOTAL ASSETS	\$ 1,263,029	\$ 227,885	\$ 314,497	\$ 1,805,411
 LIABILITIES:				
Cash overdraft	\$ -	\$ 95,969	\$ -	\$ 95,969
Accounts payable	18,479	-	-	18,479
Accrued sick leave	17,048	-	-	17,048
Other current liabilities	6,532	-	-	6,532
Due to other funds	-	-	-	-
Unearned revenue	-	131,916	-	131,916
TOTAL LIABILITIES	42,059	227,885	-	269,944
 FUND BALANCES:				
Restricted				
Capital projects	-	-	279,991	279,991
Other	-	-	34,506	34,506
Assigned	-	-	-	-
Unassigned	1,220,970	-	-	1,220,970
TOTAL FUND BALANCES	1,220,970	-	314,497	1,535,467
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,263,029	\$ 227,885	\$ 314,497	\$ 1,805,411

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, 2017**

Total Governmental Fund Balances	\$	1,535,467
<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		12,266,785
<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		701,123
Net pension liability		(2,560,874)
Pension deferred inflows		(30,373)
<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		(7,425,182)
Capital lease		(757,753)
Accrued interest		(53,631)
Other accrued liabilities		(19,596)
Accrued sick leave		(133,226)
		<u> </u>
Net Position of Governmental Activities	\$	<u><u>3,522,740</u></u>

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 554,210	\$ -	\$ 193,928	\$ 748,138
Motor vehicle	139,276	-	-	139,276
Utilities	281,597	-	-	281,597
Franchise	142,281	-	-	142,281
Unmined Minerals	1,144	-	-	1,144
Earnings on investments	19,853	-	4	19,857
Other local revenues	48,142	35,653	7,644	91,439
Intergovernmental - State	7,066,670	604,418	787,115	8,458,203
Intergovernmental - Indirect federal	166,127	1,090,371	-	1,256,498
TOTAL REVENUES	8,419,300	1,730,442	988,691	11,138,433
EXPENDITURES:				
Current:				
Instruction:	4,169,015	1,022,382	9,855	5,201,252
Support Services:				
Student	765,787	269,490	-	1,035,277
Instructional staff	206,817	178,062	-	384,879
District administration	309,931	13,270	-	323,201
School administration	502,476	-	-	502,476
Business	352,884	53,727	-	406,611
Plant operations and maintainance	1,018,232	11,937	-	1,030,169
Student transportation	709,921	51,854	-	761,775
Community services	70	161,103	-	161,173
Capital outlay	215,710	-	149,569	365,279
Debt service	152,645	-	852,825	1,005,470
TOTAL EXPENDITURES	8,403,488	1,761,825	1,012,249	11,177,562
Excess (Deficit) of Revenues over Expenditures	15,812	(31,383)	(23,558)	(39,129)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	31,383	459,717	491,100
Operating transfers out	(49,261)	-	(441,839)	(491,100)
Sale of Equipment	3,662	-	-	3,662
Bond proceeds	-	-	-	-
Capital lease proceeds	190,670	-	-	190,670
TOTAL OTHER FINANCING SOURCES (USES):	145,071	31,383	17,878	194,332
Net Change in Fund Balances	160,883	-	(5,680)	155,203
Fund balance - beginning of year	1,060,087	-	320,177	1,380,264
Fund balance - end of year	\$ 1,220,970	\$ -	\$ 314,497	\$ 1,535,467

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, 2017**

Net Change in Fund Balances - Total Governmental Funds	\$	155,203
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		(190,670)
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		365,279
Depreciation expense		(583,432)
Loss on Disposal		(30,823)
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		1,870
Sick leave		81,103
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		2,317,837
KTRS on-behalf pension expense		(2,317,837)
Pension expense		(182,020)
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.		
		720,248
Change in Net Position of Governmental Activities	\$	336,758

**MENIFEE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 653,038	\$ 557,124	\$ 554,210	\$ (2,914)
Motor vehicle	130,000	130,000	139,276	9,276
Unmined minerals	1,500	1,150	1,144	(6)
Franchise	25,000	142,160	142,281	121
Utilities	350,910	350,910	281,597	(69,313)
Earnings on investments	8,961	18,100	19,853	1,753
Other local revenues	85,299	143,183	48,142	(95,041)
Intergovernmental - State	6,689,019	7,061,894	7,066,670	4,776
Intergovernmental - Federal	133,658	141,354	166,127	24,773
TOTAL REVENUES	<u>8,077,385</u>	<u>8,545,875</u>	<u>8,419,300</u>	<u>(126,575)</u>
EXPENDITURES:				
Current:				
Instruction:	4,095,723	4,306,271	4,169,015	137,256
Support Services:				
Student	711,940	817,870	765,787	52,083
Instructional staff	200,543	223,031	206,817	16,214
District administration	255,868	332,515	309,931	22,584
School administration	468,984	517,146	502,476	14,670
Business	276,564	318,546	352,884	(34,338)
Plant operations and maintenance	1,205,574	1,133,891	1,028,972	104,919
Student transportation	898,284	985,992	914,891	71,101
Noninstructional	140	46	70	(24)
Debt service	142,101	152,645	152,645	-
TOTAL EXPENDITURES	<u>8,255,721</u>	<u>8,787,953</u>	<u>8,403,488</u>	<u>384,465</u>
Excess (Deficit) of Revenues over Expenditures	<u>(178,336)</u>	<u>(242,078)</u>	<u>15,812</u>	<u>257,890</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	35,000	35,000	-	(35,000)
Operating transfers out	(41,527)	(31,380)	(49,261)	(17,881)
Sale of equipment	16,763	20,089	3,662	(16,427)
Capital lease proceeds	181,422	190,670	190,670	-
Contingency	(461,853)	(1,032,388)	-	1,032,388
TOTAL OTHER FINANCING SOURCES (USES):	<u>(270,195)</u>	<u>(818,009)</u>	<u>145,071</u>	<u>963,080</u>
Net Change in Fund Balance	(448,531)	(1,060,087)	160,883	1,220,970
Fund balance - beginning of year	448,531	1,060,087	1,060,087	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,220,970</u>	<u>\$ 1,220,970</u>

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	SPECIAL REVENUE FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Other local revenues	\$ 50,270	\$ 6,000	\$ 35,653	\$ 29,653
Intergovernmental - State	521,457	484,452	604,418	119,966
Intergovernmental - Indirect federal	1,019,199	1,053,917	1,090,371	36,454
TOTAL REVENUES	<u>1,590,926</u>	<u>1,544,369</u>	<u>1,730,442</u>	<u>186,073</u>
EXPENDITURES:				
Current:				
Instruction:	895,721	897,306	1,022,382	(125,076)
Support Services:				
Student	302,554	277,299	269,490	7,809
Instructional staff	188,110	176,048	178,062	(2,014)
District administration	-	-	13,270	(13,270)
Business	500	500	53,727	(53,227)
Plant operations and maintenance	18,741	30,782	11,937	18,845
Student transportation	67,700	53,479	51,854	1,625
Community services	159,127	140,335	161,103	(20,768)
TOTAL EXPENDITURES	<u>1,632,453</u>	<u>1,575,749</u>	<u>1,761,825</u>	<u>(186,076)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(41,527)</u>	<u>(31,380)</u>	<u>(31,383)</u>	<u>(3)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	41,527	31,380	31,383	17,996
TOTAL OTHER FINANCING SOURCES (USES):	<u>41,527</u>	<u>31,380</u>	<u>31,383</u>	<u>17,996</u>
Net Change in Fund Balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017**

	<u>FOOD SERVICE</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 220,526
Accounts receivable	29,007
Inventory	12,936
Total Current Assets	262,469
Noncurrent Assets	
Machinery & equipment	224,919
Accumulated depreciation	(214,260)
Total Noncurrent Assets	10,659
TOTAL ASSETS	273,128
DEFERRED OUTFLOW OF RESOURCES	
Pension	89,703
TOTAL DEFERRED OUTFLOWS OF RESOURCES	89,703
LIABILITIES:	
Current Liabilities	
Accounts payable	5,760
Noncurrent Liabilities	
Net pension liability	448,162
TOTAL LIABILITIES	453,922
DEFERRED INFLOW OF RESOURCES	
Pension	5,659
TOTAL DEFERRED INFLOWS OF RESOURCES	5,659
NET POSITION:	
Net Investment in Capital Assets	10,659
Restricted	(107,409)
TOTAL NET POSITION	\$ (96,750)

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, 2017**

	<u>FOOD SERVICE</u>
OPERATING REVENUES:	
Lunchroom sales	\$ 38,430
Other operating revenues	35,141
TOTAL OPERATING REVENUES	73,571
OPERATING EXPENSES:	
Salaries and wages	254,318
Employee benefits	190,957
Contract services	16,035
Materials and supplies	541,215
Property	30,465
Miscellaneous	10,464
Depreciation	4,990
TOTAL OPERATING EXPENSES	1,048,444
Operating income (loss)	(974,873)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	831,087
Federal commodities	49,430
State grants	86,960
NON-OPERATING REVENUES (EXPENSES)	967,477
Net income (loss) before operating transfers	(7,396)
Operating transfers	-
Change in net position	(7,396)
Net position - beginning	(89,354)
Net position - end of yea	\$ (96,750)

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 65,405
Cash paid to suppliers	(545,607)
Cash paid to employees	(324,399)
	<u>(804,601)</u>
Net Cash Provided (Used) by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Governmental grants	831,087
	<u>831,087</u>
Net Cash Provided (Used) by Noncapital Activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	-
	<u>-</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	26,486
Cash and cash equivalents - beginning of year	194,040
Cash and cash equivalents - end of year	\$ 220,526
	<u><u>220,526</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (974,873)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
Federal commodities	49,430
On-behalf payments	86,960
Depreciation	4,990
Changes in Assets and Liabilities:	
Accounts Receivable	(8,166)
Inventory	(1,855)
Deferred outflows	(22,567)
Accounts payable	4,997
Deferred inflows	5,659
Net pension liability	50,824
	<u>50,824</u>
Net Cash Provided (Used) by Operating Activities:	\$ (804,601)
	<u><u>(804,601)</u></u>
Schedule of non-cash transactions:	
Donated commodities received from federal government	\$ 49,430
On-behalf payments	\$ 86,960

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>AGENCY FUNDS</u>
ASSETS:	
Cash and cash equivalents	\$ 50,936
Accounts receivable	<u>3,487</u>
TOTAL ASSETS	\$ <u>54,423</u>
LIABILITIES:	
Accounts payable	\$ 3,280
Due to student groups	<u>51,142</u>
TOTAL LIABILITIES	\$ <u>54,423</u>
NET POSITION:	
Net position - restricted for school activity funds	\$ <u> -</u>

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Fund Financial Statements (Cont'd)

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.

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 Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. The Special Revenue Fund is a major fund.

(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, 2017**

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. 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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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.

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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.

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

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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, 2017 to finance the General Fund operations were \$.544 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.

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 15 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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Budgetary Process (Cont'd)

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.

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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.

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources. Invested in capital assets, net of related debt, 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.

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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 Note 7).

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.

New Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will revise 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. GASBS No. 75 will be effective for the District beginning July 1, 2018, and will require the District to report its proportionate share of the net OPEB liability, deferred outflows and inflows of resources, and OPEB expense related to the CERS cost-sharing defined benefit OPEB plan. In addition, the District's note disclosures for the KTRS cost-sharing defined benefit OPEB plan will be expanded to include a description of the state's proportionate shares of these balances related to the District. The District has not determined the financial impact of the implementation of GASBS No. 75.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

New Accounting Pronouncements (Cont.)

GASB Statement No. 82 *Pension Issues* (GASB 82), addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in a Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan members) contribution requirements that arose during the implementation of GASB Statement No. 68. GASB 82 will be effective for the District beginning with the year in which the measurement date of the pension liability is on or after June 15, 2017. The District has not determined the financial impact of the implementation of GASBS No. 82.

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 \$1,694,416. The bank balance for the same time was \$1,858,797.

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, 2017**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 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	920,817	160,009	1,080,826	0
Total Capital Assets not being depreciated	<u>971,417</u>	<u>160,009</u>	<u>1,080,826</u>	<u>50,600</u>
Other Capital Assets				
Land Improvements	272,052	0	0	272,052
Buildings & Improvements	14,427,859	1,080,826	0	15,508,685
Technological Equipment	947,865	0	575,975	371,890
Vehicles	1,751,605	204,970	0	1,956,575
General Equipment	215,944	0	1,697	214,247
Total Other Assets	<u>17,615,325</u>	<u>1,285,796</u>	<u>577,672</u>	<u>18,323,448</u>
Less accumulated depreciation for:				
Land Improvements	(208,150)	(9,200)	0	(217,351)
Buildings & Improvements	(4,079,254)	(378,044)	0	(4,457,298)
Technological Equipment	(681,791)	(32,719)	(545,153)	(169,357)
Vehicles	(917,652)	(158,607)	0	(1,076,260)
General Equipment	(183,834)	(4,862)	(1,697)	(186,999)
Total accumulated depreciation	<u>(6,070,681)</u>	<u>(583,433)</u>	<u>(546,850)</u>	<u>(6,107,264)</u>
Other Capital Assets, net	<u>11,544,644</u>	<u>702,363</u>	<u>30,822</u>	<u>12,216,185</u>
Governmental Activities, net	<u>\$12,516,061</u>	<u>\$862,372</u>	<u>\$1,111,648</u>	<u>\$12,266,785</u>
Business Activities:				
Technological Equipment	\$3,396	\$0	\$0	\$3,396
General Equipment	221,523	0	0	221,523
Total	<u>224,919</u>	<u>0</u>	<u>0</u>	<u>224,919</u>
Less accumulated depreciation for:				
Technological Equipment	(3,396)	0	0	(3,396)
General Equipment	(205,874)	(4,990)	0	(210,864)
Total accumulated depreciation	<u>(209,270)</u>	<u>(4,990)</u>	<u>0</u>	<u>(214,260)</u>
Business Activities, net	<u>\$15,649</u>	<u>(\$4,990)</u>	<u>\$0</u>	<u>\$10,659</u>

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 - CAPITAL ASSETS (cont'd)

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

Governmental Activities:

Instruction	\$7,027
Support Services:	
Student	\$132,597
Instructional Staff	\$4,143
District Administration	\$5,426
School Administration	\$159
Plant Operations & Maintenance	\$12,810
Student Transportation	\$275,177
Non-instructional	\$146,093
Total depreciation expense, governmental activities	\$583,432

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 Menifee County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

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

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017 for debt service (principal and interest) are as follows:

Issue	Proceeds	Rates	Maturity Dates	Outstanding Balance June 30, 2017
2008	\$970,000	2.25% - 5.25%	9/1/2019	\$110,000
2009R	635,000	5.20%	6/1/2026	170,000
2011	5,450,000	5.00%	11/1/2030	4,695,182
2012R	2,345,000	5.00%	12/1/2030	1,335,000
2015	1,160,000	5.00%	12/1/2030	1,115,000
	<u>\$10,560,000</u>			<u>\$7,425,182</u>

Year	Meniffee County School District		Kentucky School Construction Commission		Total
	Principal	Interest	Principal	Interest	
2018	\$304,953	\$133,695	\$250,047	\$118,087	\$806,782
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
2023-2027	1,262,824	374,264	1,047,358	365,080	3,049,526
2028-2032	1,069,195	119,622	1,040,804	152,324	2,381,945
2032-2036	0	0	280,000	16,982	296,982
	<u>\$3,952,224</u>	<u>\$1,082,693</u>	<u>\$3,472,958</u>	<u>\$1,063,671</u>	<u>\$9,571,545</u>

Capital Leases

The following is an analysis of the leased property under capital leases by class at June 30, 2017:

Class of Property	Amount
Buses Book Value	\$1,192,341

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Capital Leases (continued)

During fiscal year 2017, KISTA Bond Pool Sizing First Series of 2017 was approved on February 1, 2017 and delivered on February 22, 2017 in the amount of \$190,670 for the purpose of purchasing two new school buses.

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, 2016:

<u>Year Ending June 30</u>	<u>Capital Lease Payable</u>
2018	\$198,061
2019	152,823
2020	128,074
2021	96,763
2022	67,563
Thereafter	<u>187,538</u>
Total Minimum lease payments	830,822
Less: Amount of Interest	<u>(73,069)</u>
Present value of net minimum lease payments	<u><u>\$757,753</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, 2017**

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, 2017:

	06/30/17 Beginning Balance	Additions	Reductions	06/30/17 Ending Balance	Amounts Due Within One Year
Bonds	\$7,980,182	\$0	\$555,000	\$7,425,182	\$555,000
Capital Leases	732,331	190,670	165,248	757,753	177,849
KSBIT	32,660	0	6,532	26,128	6,532
Sick Leave	155,435	53,680	58,841	150,274	37,877
Total	<u>\$8,900,608</u>	<u>\$244,350</u>	<u>\$785,621</u>	<u>\$8,359,337</u>	<u>\$777,258</u>

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, 2017 are as follows:

Year Ending June 30:	Amount
2018	\$25,947
2019	25,947
2020	0
2021	0
2022	0
Total	<u>\$51,895</u>

Expenditures for equipment under operating leases for the year ended June 30, 2017 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, 2017**

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

CERS Post-employment healthcare 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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - RETIREMENT PLAN (cont'd)

Percentage of contribution 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.

Funding policy—CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the 2016 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 Tier 3, 6% employee contributions are allocated to the health insurance plan.

Contributions—Employer contributions compared to the actuarially required contributions are outlined in the following table:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CERS Nonhazardous Plan			
Actuarially Required Contributions	\$ 68,365	\$ 96,708	\$ 71,113
Contributions Recognized by Plan	\$ 68,365	\$ 96,708	\$ 71,113
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,454,566	\$ 1,961,629	\$ 1,457,224
Contributions as Percentage of Payroll	4.70%	4.93%	4.88%

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - RETIREMENT PLAN (cont'd)

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

Plan description

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

Benefits provided

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

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

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - RETIREMENT PLAN (cont'd)

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

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

Contributions

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

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

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.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - RETIREMENT PLAN (cont'd)

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 \$136,812. The District does not contribute to these plans.

KTRS POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan description—In addition to the pension benefits described above, 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.

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.

Funding policy—In order to fund the post-retirement healthcare benefit, seven and one half (7.5%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Contributions—Employer contributions compared to the actuarially required contributions are outlined in the following table:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
KTRS Plan			
Actuarially Required Contributions	\$ 125,551	\$ 94,044	\$ 97,812
Contributions Recognized by Plan	\$ 125,551	\$ 94,044	\$ 97,812
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 4,185,045	\$ 4,179,746	\$ 4,347,207
Contributions as Percentage of Payroll	3.00%	2.25%	2.25%

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017, 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	\$ 3,009,036
Commonwealth's proportionate share of the net KTRS pension liability associated with the District	<u>35,652,060</u>
	<u>\$ 38,661,096</u>

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability for both systems were determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's proportion was .06111% percent.

For the year ended June 30, 2017, the District recognized pension expense of \$215,934 (\$182,020 in Governmental funds and \$33,914 in Proprietary fund) related to CERS and \$2,904,462 related to KTRS. The District also recognized revenue of \$2,904,462 for KTRS support provided by the Commonwealth.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - RETIREMENT PLAN (cont'd)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,137	\$ -
Changes of assumptions	159,403	-
Net difference between projected and actual earnings on pension plan investments	282,880	-
Changes in proportion and differences between District contributions and proportionate share of contributions	49,244	36,032
District contributions subsequent to the measurement date	<u>286,162</u>	<u>-</u>
	<u>\$ 790,826</u>	<u>\$ 36,032</u>

\$279,120 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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year ended June 30:</u>	
	<u>Outflows</u>	<u>Inflows</u>
2018	187,457	7,206
2019	125,414	7,206
2020	122,152	7,206
2021	69,641	7,207
2022	0	7,207

Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.50%	7.50%

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - RETIREMENT PLAN (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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin 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 AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study was scheduled to be conducted in 2016 and will be reflected in the June 30, 2017 GASB 67 and GASB 68 actuarial reports.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44.00%	5.40%
Combined Fixed income	19.00%	1.50%
Real Return (Diversified Inflation Strategies)	10.00%	3.50%
Real Estate	5.00%	4.50%
Absolute Return (Diversified Hedge Funds)	10.00%	4.25%
Private Equity	10.00%	8.50%
Cash Equivalents	2.00%	-0.25%
Total	<u>100.00%</u>	

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - RETIREMENT PLAN (cont'd)

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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	45.00%	6.40%
Non U.S. Equity	17.00%	6.50%
Fixed Income	24.00%	1.60%
High Yield Bonds	4.00%	3.10%
Real Estate	4.00%	5.80%
Alternatives	4.00%	6.80%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	

Discount rate

For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that 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 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - RETIREMENT PLAN (cont'd)

For KTRS, the discount rate used to measure the total pension liability was 4.20%. 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

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	6.50%		7.50%		8.50%
District's proportionate share of net pension liability	\$ 3,749,481	\$	3,009,036	\$	2,373,932
KTRS	3.20%		4.20%		5.20%
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 – 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, 2017, this amount totaled \$150,274.

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9- INSURANCE AND RELATED ACTIVITIES

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

NOTE 10 - CONTINGENCIES

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose the grantor may request a refund of monies advanced, or to refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NOTE 11- RISK MANAGEMENT

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

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11- RISK MANAGEMENT (cont'd)

In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

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

NOTE 12 - COBRA

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

NOTE 13 - DEFICIT OPERATING/ FUND BALANCES

The Food Service Fund is operating as a deficit fund balance of \$96,750 at June 30, 2017. 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	\$7,396
District Activity	\$2,207
Construction	\$131,691

NOTE 14 – INTERFUND TRANSACTIONS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS Matching	\$31,383
General	Construction	Capital	\$17,878
Capital Outlay	Debt Service	Debt Service	\$65,180
Building	Debt Service	Debt Service	\$376,659

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 - ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2017, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Kentucky Teachers Retirement System	\$ 586,625
Health & Life Insurance	1,162,125
KISTA	32,168
Technology	44,559
Debt Service	<u>378,818</u>
Recognized at the Fund Level	\$ <u>2,204,295</u>
Additional pension expense recognized at the Government-Wide Level	<u>\$ 2,317,837</u>
Total On-Behalf	\$ <u><u>4,522,132</u></u>

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	\$ 1,706,349
Food Service Fund	86,960
Debt Service Fund	<u>410,986</u>
Total	<u>\$ 2,204,295</u>

NOTE 16– LITIGATION

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

NOTE 18– SUBSEQUENT EVENTS

In preparing these financial statements, management of the District has evaluated events and transaction for potential recognition or disclosure through September 26, 2017, the date the financial statements were available to be issued.

MENIFEE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL SCHEDULES

**MENIFEE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2017 (2016)	2016 (2015)	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:			
District's proportion of the net pension liability	0.06111%	0.06246%	0.05929%
District's proportionate share of the net pension liability	\$ 3,009,036	\$ 2,685,437	\$ 1,923,000
District's covered-employee payroll	\$ 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	206.868%	136.898%	131.963%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:			
District's proportion of the net pension liability	0.1209%	0.1287%	0.1466%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 35,652,060	\$ 29,954,231	\$ 30,126,070
Total	<u>\$ 35,652,060</u>	<u>\$ 29,954,231</u>	<u>\$ 30,126,070</u>
District's covered-employee payroll	\$ 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%
Plan fiduciary net position as a percentage of the total pension liability	35.22%	42.49%	45.59%

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 CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

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

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
FOR THE YEAR ENDED JUNE 30, 2017**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Actuarial Methods and Assumptions:

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of June 30, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30 year period. The following actuarial methods and assumptions were used to determine contribution rates reported for all systems:

Actuarial Cost Method	Entry Age
Amortization Method	Level of Percentage of Payroll, closed
Remaining Amortization Period	27 Years
Asset Valuation Method	5 year Smoothed Market
Inflation	3.25%
Salary Increase	4%, average, including Inflation
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expense, including Inflation

Changes of Benefit Terms -

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

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

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

Changes of Assumptions:

The assumed investment rate remained 7.5%.

The assumed rate of inflation remained 3.25%.

The assumed rate of wage inflation remained .75%.

Payroll growth assumption remained 4%.

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. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Actuarial Methods and Assumptions:

The actuarially determined contribution rates in the shedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Actuarial Cost Method	Entry Age
Amortization Period	Level percentage of payroll, open
Remaining Amortization Period	30 Years
Asset Valuation Method	5-year smoothed market
Inflation	3.50%
Salary Increase	4.00 to 8.20%, including inflation
Ultimate Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

Changes of Benefit Terms - None

Changes of Assumptions:

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used.

MENIFEE COUNTY SCHOOL DISTRICT
SUPPLEMENTAL SCHEDULES

**MENIFEE COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>DISTRICT ACTIVITY FUND</u>	<u>SEEK CAPITAL OUTLAY FUND</u>	<u>FSPK BUILDING FUND</u>	<u>CONSTRUCTION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
ASSETS:						
Cash and cash equivalents	\$ 34,506	\$ 31,029	\$ 97,883	\$ 151,079	\$ -	\$ 314,497
TOTAL ASSETS	<u>\$ 34,506</u>	<u>\$ 31,029</u>	<u>\$ 97,883</u>	<u>\$ 151,079</u>	<u>\$ -</u>	<u>\$ 314,497</u>
FUND BALANCES:						
Restricted	\$ 34,506	\$ 31,029	\$ 97,883	\$ 151,079	\$ -	\$ 314,497
TOTAL FUND BALANCES	<u>\$ 34,506</u>	<u>\$ 31,029</u>	<u>\$ 97,883</u>	<u>\$ 151,079</u>	<u>\$ -</u>	<u>\$ 314,497</u>

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

	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	\$ -	\$ -	\$ 193,928	\$ -	\$ -	\$ 193,928
Interest on investments	4	-	-	-	-	4
Other	7,644	-	-	-	-	7,644
Intergovernmental - State	-	96,209	279,920	-	410,986	787,115
TOTAL REVENUES	<u>7,648</u>	<u>96,209</u>	<u>473,848</u>	<u>-</u>	<u>410,986</u>	<u>988,691</u>
EXPENDITURES:						
Current:						
Instruction	9,855	-	-	-	-	9,855
Plant operations and maintenance	-	-	-	-	-	-
Capital outlay	-	-	-	149,569	-	149,569
Debt service	-	-	-	-	852,825	852,825
TOTAL EXPENDITURES	<u>9,855</u>	<u>-</u>	<u>-</u>	<u>149,569</u>	<u>852,825</u>	<u>1,012,249</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,207)</u>	<u>96,209</u>	<u>473,848</u>	<u>(149,569)</u>	<u>(441,839)</u>	<u>(23,558)</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	-	-	-	17,878	441,839	459,717
Operating transfers out	-	(65,180)	(376,659)	-	-	(441,839)
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>(65,180)</u>	<u>(376,659)</u>	<u>17,878</u>	<u>441,839</u>	<u>17,878</u>
Net Change in Fund Balances	(2,207)	31,029	97,189	(131,691)	-	(5,680)
Fund balance - beginning of year	36,713	-	694	282,770	-	320,177
Fund balance - end of year	<u>\$ 34,506</u>	<u>\$ 31,029</u>	<u>\$ 97,883</u>	<u>\$ 151,079</u>	<u>\$ -</u>	<u>\$ 314,497</u>

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
For The Year Ended June 30, 2017**

	Cash Balances June 30, 2016	Receipts	Disbursements	Cash Balances June 30, 2017	Accounts Receivable June 30, 2017	Accounts Payable June 30, 2017	Due To Student Groups June 30, 2017
Menifee Co. High School	\$ 27,785	\$ 144,827	\$ 136,285	\$ 36,326	\$ -	\$ 2,730	\$ 33,596
Menifee Co. Elementary	6,609	31,927	25,270	13,266	-	550	12,716
Botts Elementary	1,662	5,541	5,860	1,343	3,487	-	4,830
	<u>\$ 36,056</u>	<u>\$ 182,295</u>	<u>\$ 167,415</u>	<u>\$ 50,936</u>	<u>\$ 3,487</u>	<u>\$ 3,280</u>	<u>\$ 51,142</u>

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MENIFEE COUNTY COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

ACCOUNTS:	Cash Balances June 30, 2016	Receipts	Disbursements	Cash Balances June 30, 2017	Accounts Receivable June 30, 2017	Accounts Payable June 30, 2017	Due To Student Groups June 30, 2017
General Fund	\$ 1,583	\$ 295	\$ 1,559	\$ 319	\$ -	\$ -	\$ 319
Sweep	-	-	-	-	-	-	-
Faculty Vending	-	402	158	244	-	-	244
Student Vending	-	608	-	608	-	-	608
Student Parking	-	285	-	285	-	-	285
Volleyball	246	-	-	246	-	-	246
Wrestling	18	-	-	18	-	-	18
Athletic Concessions	249	19,968	18,328	1,889	-	-	1,889
Baseball - Boys	-	4,216	2,541	1,676	-	-	1,676
Basketball - Boys	2,524	1,257	2,296	1,485	-	-	1,485
Basketball - Girls	1,578	992	1,571	999	-	-	999
Cross Country - Boys	-	-	-	-	-	-	-
Softball - Girls	-	-	-	-	-	-	-
Track	-	-	-	-	-	-	-
Golf	413	100	329	185	-	-	185
Soccer - Boys	22	-	22	-	-	-	-
Soccer - Girls	-	109	109	-	-	-	-
Varsity Cheerleading	23	6,790	4,202	2,611	-	-	2,611
Bass Fishing	62	-	-	62	-	-	62
Archery	20	-	-	20	-	-	20
Soccer Support - Boys	128	1,800	922	1,007	-	-	1,007
Soccer Support - Girls	216	5,527	4,208	1,535	-	-	1,535
P.E. Donations	288	-	286	2	-	-	2
FCCLA	1,544	8,722	7,987	2,279	-	-	2,279
FFA	4,917	17,338	16,980	5,275	-	385	4,890
Wildcat Medical Club	-	190	100	90	-	-	90
Pep Club	-	20	-	20	-	-	20
Journalism	6,030	3,854	3,776	6,108	-	2,300	3,808
Athletics	-	33,115	30,405	2,709	-	45	2,664
Junior Class	2,332	4,980	4,469	2,843	-	-	2,843
Senior Class	194	22,158	22,349	3	-	-	3
Senior Class 2	-	1,297	1,297	-	-	-	-
BETA Club	485	418	583	320	-	-	320
FBLA	-	-	-	-	-	-	-
Band	732	908	1,453	186	-	-	186
Special Education	151	-	85	66	-	-	66
Academic	16	-	-	16	-	-	16
Library	-	150	-	150	-	-	150
FCA	265	490	701	54	-	-	54
FFA Dues	1,045	885	1,156	774	-	-	774
Student Council	465	3,342	2,864	943	-	-	943
Book Club	306	-	-	306	-	-	306
Start-Up Change	-	400	400	-	-	-	-
KDTC Scholarship	-	-	-	-	-	-	-
Guidance	1,756	3,958	4,897	817	-	-	817
Y-Club	178	-	-	178	-	-	178
Relay for Life	-	254	254	-	-	-	-
TOTALS	<u>\$ 27,785</u>	<u>\$ 144,827</u>	<u>\$ 136,285</u>	<u>\$ 36,326</u>	<u>\$ -</u>	<u>\$ 2,730</u>	<u>\$ 33,596</u>

See Accompanying Notes to the Financial Statements

MENIFEE COUNTY BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2017

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Department of Education				
Special Education Cluster (IDEA)-Cluster				
Special Education Grants to States				
Special Education Grants to States	84.027	KENTUCKY DEPARTMENT OF EDUCATION	Special Education Basic-3810002-16	\$ 241,027
Special Education Grants to States	84.027	KENTUCKY DEPARTMENT OF EDUCATION	Special Education Basic-3810002-15	<u>18,774</u>
Total Special Education Grants to States				259,801
Special Education Preschool Grants				
Special Education Preschool Grants	84.173	KENTUCKY DEPARTMENT OF EDUCATION	Special Education Preschool-3800002-16	<u>1,244</u>
Total Special Education Preschool Grants to States				<u>1,244</u>
Total Special Education Cluster (IDEA)-Cluster				<u>261,045</u>
RACE TO THE TOP				
RACE TO THE TOP	84.413	KENTUCKY DEPARTMENT OF EDUCATION	Race to the Top -3960002-11	<u>2,353</u>
Total RACE TO THE TOP				2,353
Title I Grants to Local Educational Agencies				
Title I Grants to Local Educational Agencies	84.010	KENTUCKY DEPARTMENT OF EDUCATION	TITLE I--3100002-15	94,477
Title I Grants to Local Educational Agencies	84.010	KENTUCKY DEPARTMENT OF EDUCATION	TITLE I--3100002-14	32
Title I Grants to Local Educational Agencies	84.010	KENTUCKY DEPARTMENT OF EDUCATION	TITLE I--3100002-16	<u>533,896</u>
Total Title I Grants to Local Educational Agencies				<u>628,405</u>
Career and Technical Education -- Basic Grants to States				
Career and Technical Education -- Basic Grants to States	84.048	KENTUCKY DEPARTMENT OF EDUCATION	VOCATIONAL EDUCATION BASIC GRANT--3710002-16	7,947
Career and Technical Education -- Basic Grants to States	84.048	KENTUCKY DEPARTMENT OF EDUCATION	VOCATIONAL EDUCATION BASIC GRANT--3710002-15	<u>1,964</u>
Total Career and Technical Education -- Basic Grants to States				<u>9,911</u>
Fund for the Improvement of Education				
Fund for the Improvement of Education	84.215	KENTUCKY DEPARTMENT OF EDUCATION	HOPE ABSTINENCE ED--5324	4,081
Fund for the Improvement of Education	84.215	KENTUCKY DEPARTMENT OF EDUCATION	PEP CAROL M WHITE PHYSICAL ED--532BF	48,519
Fund for the Improvement of Education	84.215	KENTUCKY DEPARTMENT OF EDUCATION	PEP CAROL M WHITE PHYSICAL ED--532CF	<u>45,186</u>
Total Fund for the Improvement of Education				<u>97,786</u>
Rural Education				
Rural Education	84.358	KENTUCKY DEPARTMENT OF EDUCATION	RURAL AND LOW - INCOME SCHOOL PROGRAM--3140002-15	7,993
Rural Education	84.358	KENTUCKY DEPARTMENT OF EDUCATION	RURAL AND LOW - INCOME SCHOOL PROGRAM--3140002-16	<u>16,981</u>
Total Rural Education				<u>24,974</u>
Improving Teacher Quality State Grants				
Improving Teacher Quality State Grants	84.367	KENTUCKY DEPARTMENT OF EDUCATION	TEACHER QUALITY--3230002-15	9,295
Improving Teacher Quality State Grants	84.367	KENTUCKY DEPARTMENT OF EDUCATION	TEACHER QUALITY--3230002-16	<u>79,954</u>
Total Improving Teacher Quality State Grants				<u>89,249</u>
Total Department of Education				<u>\$ 1,113,723</u>

MENIFEE COUNTY BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2017

United States Department of Health and Human Services

Cooperative Agreements to Promote Adolescent Health Through School Based Prevention and Surveillance	93.079	KENTUCKY DEPARTMENT OF EDUCATION	2100001-16	\$ <u>700</u>
Assistance Programs for Chronic Disease Prevention and Control <i>Total Department of Health and Human Services</i>	93.945	KENTUCKY DEPARTMENT OF EDUCATION	024205OL-16	<u>4563</u> <u>5263</u>

United States Department of Agriculture

National School Lunch Program		KENTUCKY DEPARTMENT OF EDUCATION	Commodities -4002823	49,430
National School Lunch Program		KENTUCKY DEPARTMENT OF EDUCATION		
Summer School Service Program for Children	10.559		7690024-16	2,597
Summer School Service Program for Children	10.559		7690024-17	3,345
Summer School Service Program for Children	10.559		7740023-16	25,124
Summer School Service Program for Children	10.559		7740023-17	<u>33,390</u>
Total Child and Adult Care Food Program				64,456
School Breakfast Program	10.553		7760005-16	59,805
School Breakfast Program	10.553		7760005-17	181,205
National School Lunch Program	10.555		7750002-16	105,274
National School Lunch Program	10.555		7750002-17	367,704
State Administrative Program	10.560		7850012-16	1,000
Child Nutrition Discretionary Grants	10.579		7840027-16	13,913
Fresh Fruit and Vegetable Program	10.582		7720012-16	3,244
Fresh Fruit and Vegetable Program	10.582		7720012-17	<u>30,040</u>
Total Cash Assistance				<u>762,185</u>
<i>Total United States Department of Agriculture</i>				<u>876,071</u>
Total Other Programs				<u>1,118,986</u>
Total Expenditures of Federal Awards				<u>\$ 1,995,057</u>

The accompanying notes are an integral part of this schedule

**MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

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, 2017. 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 has not applied the 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, 2017, the District received food commodities totaling \$49,430.

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
OF CERTIFIED PUBLIC ACCOUNTANTS

STUART K. MCCRARY, JR., CPA
THOMAS S. SPARKS, CPA
RYAN R. LASKI, CPA

JUSTIN B. NICHOLS, CPA
SUSAN A. LACY, CPA

LAURENCE T. SUMMERS
1961-1992

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

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 (the District) as of and for the year ended June 30, 2017, 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 September 26, 2017.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management for the District in a separate letter dated September 26, 2017.

In addition, the item mentioned above was an instance of noncompliance with specific state statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

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
September 26, 2017

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 (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The 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 District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, 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, 2017.

Report on Internal Control over Compliance

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

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

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

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

Summers, McCrary & Sparks, PSC

Lexington, KY
September 26, 2017

**MENIFEE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section 1 - 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
that are not considered to be material
weakness? yes X none reported

Noncompliance material to financial
statements noted? X yes no

Federal Awards

Internal control over majority programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified
that are not considered to be material
weakness(es)? yes X none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title 1

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

Auditee qualified as low-risk auditee? X yes no

**MENIFEE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

2017-001 Working Budget Submission

Condition:

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.

Section III – Federal Award Findings and Questioned Costs

There were no findings this year.

**MENIFEE COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Financial Statement Findings

There were no findings in the prior year.

Federal Award Findings and Questioned Costs

There were no findings in the prior year.

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

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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 September 26, 2017 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
September 26, 2017

**MENIFEE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2017**

BOARD

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

SCHOOL ACTIVITY FUNDS

MENIFEE COUNTY HIGH SCHOOL

Comment: 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".

Response: We understand the process and will implement the following procedures: The bookkeeper will ensure the accounts payable and receivables are included on the proper form and the principal will review and sign. In addition, the finance director will review all reports to ensure compliance.

MENIFEE COUNTY ELEMENTARY SCHOOL

Comment: We found the Fundraiser Approval Form (F-SA-2A) was 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.

Response: We have implemented the following additional procedures to ensure that the fundraiser forms are completed properly: The bookkeeper will review all fundraiser forms she receives from staff prior to principal approval, and the principal will review and ensure it is filled out completely prior to signing.

BOTTS ELEMENTARY

Comment: We found the Fundraiser Approval Form (F-SA-2A) was 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.

Response: We have implemented the following additional procedures to ensure that the fundraiser forms are completed properly: The bookkeeper will review all fundraiser forms she receives from staff prior to principal approval, and the principal will review and ensure it is filled out completely prior to signing.

**MENIFEE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2017**

STATUS OF PRIOR YEAR COMMENTS

BOARD

Previously, during our review of payroll controls we noted some required forms, W-4 or I-9 were not in some employee files. There were no similar findings in the current year.

Previously, during our review of cash disbursements, we noted instances of standard invoices not completed with all required information. We also noted one instance where sales tax was paid. There were no similar findings in the current year.

SCHOOL ACTIVITY FUNDS

MENIFEE COUNTY HIGH SCHOOL

Previously, during our review of cash receipts, we found multiple instances where money was not turned in timely to the bookkeeper. We recommended the principal and bookkeeper review the "Receipts" section, item no. 1, of the "Redbook", which states all money collected by a teacher or sponsor should be given to the school treasurer on the day collected, and convey this point to the teachers in the school. There were no similar findings in the current year.

Previously, during our review of cash disbursements, we found an instance of a purchase that exceeded the approved amount on the purchase order. We recommended the bookkeeper review the "Purchasing" section, item no. 5, of the "Redbook", which states that the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. The approved amount on the purchase order should be equal to or greater than the amount spent, but it should not be less. There were no similar findings in the current year.

Previously, during our review of fundraising activity, we found multiple instances where the Fundraiser Worksheet (F-SA-2B) was not completed. We recommended the bookkeeper review the "Fundraising" section of the "Redbook", which states that for fundraisers where items are sold, the Fundraiser Worksheet (F-SA-2B) is required. There were no similar findings in the current year.

BOTTS ELEMENTARY

Previously, during our review of ticket sales, we noted an instance where the Ticket Sales Form (F-SA-1) was not completed properly. We recommended the principal review the "Ticket Sales" section and the Ticket Sales Form (F-SA-1) of the "Redbook" to ensure that the Ticket Sales Form is completed properly. There were no similar findings in the current year.