

**CALLOWAY COUNTY SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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Board of Education and Administrative Staff

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## **INTRODUCTORY SECTION**

## **CALLOWAY COUNTY SCHOOL DISTRICT**

June 30, 2019

### **BOARD OF EDUCATION**

Jeff Gordon, chairman  
B. Leeann Myers, vice-chairman  
Jay Housden, member  
Van Pittman, member  
Scott Lowe, member  
Steve Grogan, member

### **ADMINISTRATIVE STAFF**

Tres Settle, Superintendent  
Josh McKeel, Director of Pupil Personnel  
April Lax, District Finance Officer

## **FINANCIAL SECTION**



**Alexander Thompson Arnold PLLC**

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**Independent Auditor's Report**

Kentucky State Committee for School District Audits  
Calloway County Board of Education  
Murray, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Calloway County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Calloway County School 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

**Your Long-Term Accounting Partner**

## ***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 Calloway County School District as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Calloway County School District's basic financial statements. The introductory section, combining nonmajor fund financial statements and combining statement of revenues and expenditures – agency funds, 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 and notes to schedule of expenditures of federal awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, combining statement of revenues and expenditures – agency funds, the schedule of expenditures of federal awards and notes to 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 nonmajor fund financial statements, combining statement of revenues and expenditures – agency funds, the schedule of



expenditures of federal awards and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2019, on our consideration of the Calloway County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Calloway County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Calloway County School District's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Murray, Kentucky  
October 25, 2019

**CALLOWAY COUNTY SCHOOL DISTRICT – MURRAY, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The discussion and analysis of the Calloway County School District (District) provides a narrative overview and analysis of the District's financial statements and the activities of the District for the fiscal year ended June 30, 2019. Readers are encouraged to consider the information presented here in conjunction with additional information found within the body of the audited financial statements.

**FINANCIAL HIGHLIGHTS**

- The enrollment of Calloway County School District at the end of fiscal year 2019 was 2,853. This is an increase of 22 from 2,831 at the end of fiscal year 2018. State level funding is calculated primarily on AADA (Adjusted Annual Daily Attendance) which is directly affected by enrollment trends. As such, AADA for the District decreased by the end of fiscal year 2019 to 2,624.53 from 2,633.25 at the end of fiscal year 2018. This demonstrates a continuing trend of decreasing AADA based funding for the District.
- The state's level of support (SEEK) provided a guaranteed base per student of \$4,000 in fiscal year 2019. This is an increase of \$19 from the \$3,981 guaranteed base in fiscal year 2018. However, a decrease in AADA combined with increase in property assessments of \$48,306,237 resulted in a decrease in Net General Fund SEEK of \$125,377 from \$8,847,916 in fiscal year 2018 to \$8,722,539 in fiscal year 2019. An additional decrease of \$259,467 is expected in fiscal year 2020.
- General revenues accounted for \$28,383,889 or 79.06% of all revenue. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$7,515,629 or 20.94% of total revenue.
- Among governmental funds, the General Fund had \$26,601,167 in revenue (including transfers), which primarily consisted of SEEK funding from the state and tax revenues. General Fund expenditures (including transfers) totaled \$25,377,249. The General Fund's balance increased by \$1,223,918 from 2018. The unassigned fund balance at the end of fiscal year 2019 was \$6,929,472 compared to \$5,656,054 at the end of fiscal year 2018. Effective for the end of year 2019, in compliance with the GASB 54 regulations, \$1,766,930 was either assigned, restricted or committed by the board for special projects including SBDM Council carry forward and accumulated sick leave liability.
- Tax revenues for the District totaled \$10,568,774 in fiscal year 2019, compared to \$10,276,943 in fiscal year 2018. Property tax collections totaled \$7,551,913, motor vehicle taxes totaled \$1,218,402, and utility taxes totaled \$1,482,570. The remainder of taxes included revenue amounts paid in lieu of taxes.
- No district-wide raises were given in fiscal year 2019. General Fund salary expenses for the year totaled \$21,545,412 or 84.90% of the total General Fund expenditures for the District. This was a decrease in General Fund salary expenditures of \$611,453 (2.76%). Of the \$21,545,412, \$752,183 was paid to KTRS (Kentucky Teachers' Retirement System) and CERS (County Employee Retirement System) by the District on behalf of employees and \$7,195,086 was paid by the state on behalf of employees for retirement, health insurance, and life insurance costs. Decreases in General Fund salary expenditures can be attributed to a decrease of \$157,767 in benefits paid by the state on behalf of employees, a decrease of \$326,106 in overall salaries, and a decrease of \$96,386 in paid sick leave.
- Our current bonding capacity is approximately \$7,500,000. Our current Capital Outlay funding is \$263,303. Our local Building Fund portion is \$995,774 with state funding at \$102,200. Total bond payments for 2019 – 2020 are \$1,038,823 in principal and \$322,919 in interest. \$268,378 of these obligations are covered by the general fund based on an Energy Savings Contract.

## OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of 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.

**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. These statements include the Statement of Net Position and the Statement of Activities. In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct types of activities:

- Government Activities – All of the District's programs and services are reported here, including instruction, support services, operation and maintenance of plant facilities, pupil transportation, and extracurricular activities.
- Proprietary (Business-Type) Activity – This service is provided on a charge for goods or services basis to recover all of the expenses for the goods or services provided. The Food Service Fund, Day Care Fund, and Adult Education Fund are reported business-type activities.

The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, the 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.

**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. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. All of the funds of the District can be divided into three categories: governmental, proprietary (business-type), and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are the food service, day care operations, and adult education. All other activities of the District are included in the governmental funds.

**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.

## FINANCIAL ANALYSIS

The Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,491,206, an increase of \$946,235 from the prior year. This increase reflects an increase in net position for governmental activities of \$941,799 and an increase in net position for business-type activities of \$4,436.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, building and improvements, vehicles, furniture, and equipment) 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.

The following table provides a comparison of the District's net position for 2019 and 2018. The amount of long-term debt and unrestricted net position for 2018 and 2019 reflects the adoption of new OPEB standards which were introduced in 2018.

**Net Position for the period ending June 30, 2019 and 2018**

|   | <b>Governmental Activities</b> |                     | <b>Business-Type Activities</b> |                     | <b>Total Activities</b> |                     |
|---|--------------------------------|---------------------|---------------------------------|---------------------|-------------------------|---------------------|
|   | <u>2019</u>                    | <u>2018</u>         | <u>2019</u>                     | <u>2018</u>         | <u>2019</u>             | <u>2018</u>         |
| <b>Current and Noncurrent Assets</b>    | \$ 11,477,686                  | \$ 9,933,665        | \$ 1,319,410                    | \$ 1,256,391        | \$ 12,797,096           | \$ 11,190,056       |
| <b>Capital Assets</b>                   | 27,456,352                     | 29,125,258          | 239,351                         | 289,686             | 27,695,703              | 29,414,944          |
| <b>Joint Venture Rights</b>             | 2,246,394                      | 2,042,114           | -                               | -                   | 2,246,394               | 2,042,114           |
| <b>Total Assets</b>                     | <u>41,180,432</u>              | <u>41,101,037</u>   | <u>1,558,761</u>                | <u>1,546,077</u>    | <u>42,739,193</u>       | <u>42,647,114</u>   |
| <b>Deferred Outflows</b>                | <u>2,545,275</u>               | <u>3,007,572</u>    | <u>517,055</u>                  | <u>692,367</u>      | <u>3,062,330</u>        | <u>3,699,939</u>    |
| <b>Long-Term Debt</b>                   | 31,825,756                     | 33,546,777          | 2,438,183                       | 2,635,013           | 34,263,939              | 36,181,790          |
| <b>Other Liabilities</b>                | 529,429                        | 577,368             | -                               | 2,056               | 529,429                 | 579,424             |
| <b>Total Liabilities</b>                | <u>32,355,185</u>              | <u>34,124,145</u>   | <u>2,438,183</u>                | <u>2,637,069</u>    | <u>34,793,368</u>       | <u>36,761,214</u>   |
| <b>Deferred Inflows</b>                 | <u>1,250,073</u>               | <u>805,814</u>      | <u>266,876</u>                  | <u>235,054</u>      | <u>1,516,949</u>        | <u>1,040,868</u>    |
| <b>Net Investment in Capital Assets</b> | 12,896,279                     | 13,220,814          | 239,351                         | 289,686             | 13,135,630              | 13,510,500          |
| <b>Restricted</b>                       | 4,602,401                      | 4,100,228           | -                               | -                   | 4,602,401               | 4,100,228           |
| <b>Unrestricted</b>                     | <u>(7,378,231)</u>             | <u>(8,142,392)</u>  | <u>(868,594)</u>                | <u>(923,365)</u>    | <u>(8,246,825)</u>      | <u>(9,065,757)</u>  |
| <b>Total Net Position</b>               | <u>\$ 10,120,449</u>           | <u>\$ 9,178,650</u> | <u>\$ (629,243)</u>             | <u>\$ (633,679)</u> | <u>\$ 9,491,206</u>     | <u>\$ 8,544,971</u> |

The following table shows the changes in net position for fiscal year 2019 and 2018. Total revenues increased by \$634,993 compared to fiscal year 2018 and expenses decreased by \$1,271,528.

**Changes in Net Position for the period ending June 30, 2019 and 2018**

|   | <u>2019</u>       | <u>2018</u>         |
|---|-------------------|---------------------|
| Program Revenues                        |                   |                     |
| Charges for Services                    | \$ 589,243        | \$ 618,255          |
| Operating Grants & Contributions        | 6,926,386         | 6,772,023           |
| General Revenues                        |                   |                     |
| Local Taxes                             | 10,568,774        | 10,276,943          |
| Investment Earnings                     | 293,779           | 123,259             |
| Other Local Revenue                     | 272,636           | 268,190             |
| Original Issue Discount/Premium         | 110,266           | (11,670)            |
| State Aid - Formula Grants              | 16,905,875        | 17,199,787          |
| Gain/Loss on Sale of Assets             | 232,559           | 17,738              |
| Total Revenues                          | <u>35,899,518</u> | <u>35,264,525</u>   |
| Program Expenses                        |                   |                     |
| Instruction                             | 20,966,982        | 21,919,057          |
| Support Services                        | 5,485,119         | 5,684,875           |
| Plant Operations & Maintenance          | 2,886,392         | 2,693,142           |
| Student Transportation                  | 2,008,405         | 1,943,611           |
| Non-instructional services              | 293,401           | 248,180             |
| Facilities acquisition and construction | 4,738             | 31,815              |
| Interest on long-term debt              | 491,683           | 520,269             |
| Amortization - unallocated              | 52,497            | 57,269              |
| Food Service                            | 2,437,855         | 2,566,405           |
| Day Care                                | 253,596           | 477,244             |
| Adult Education                         | 72,615            | 82,944              |
| Total Expenses                          | <u>34,953,283</u> | <u>36,224,811</u>   |
| Increase/(Decrease) in Net Position     | <u>\$ 946,235</u> | <u>\$ (960,286)</u> |

**GOVERNMENTAL ACTIVITIES**

Total revenues for governmental activities for fiscal year 2019 were \$33,131,016 compared to \$32,627,656 for fiscal year 2018, an increase of \$503,360. Revenues increased by 1.54%. Total expenses for governmental activities for fiscal year 2019 were \$32,189,340 compared to \$33,098,218 for fiscal year 2018, a decrease of \$909,001. Expenses decreased 2.83%. Revenues in fiscal year 2019 exceeded expenses by \$941,799 compared to a deficit of \$470,562 in fiscal year 2018.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services for governmental activities for 2019 and 2018. The net cost shows the financial burden that was placed on the District's taxpayers in each of these functions.

#### Cost of Services

|   | Total Cost: 2019     | Total Cost: 2018     | Net Cost: 2019       | Net Cost: 2018    |
|---|----------------------|----------------------|----------------------|-------------------|
| Instruction                             | \$ 20,966,982        | \$ 21,919,057        | \$ 16,464,060        | 17,444,706        |
| Students & Instructional Staff          | 2,415,634            | 2,494,162            | 2,302,788            | 2,394,541         |
| General, School Admin. & Business       | 3,069,485            | 3,190,713            | 2,998,609            | 3,190,713         |
| Plant Operations & Maintenance          | 2,886,392            | 2,693,142            | 2,682,112            | 2,592,391         |
| Student Transportation                  | 2,008,405            | 1,943,611            | 2,008,405            | 1,943,611         |
| Non-Instructional Services              | 293,401              | 248,180              | 293,401              | 248,180           |
| Facilities Acquisition and Construction | 4,738                | 31,815               | 4,738                | 31,815            |
| Interest on Long-Term Debt              | 491,683              | 520,269              | 491,683              | 520,269           |
| Amortization - Unallocated              | 52,497               | 57,269               | 52,497               | 57,269            |
| Total Expenses                          | <u>\$ 32,189,217</u> | <u>\$ 33,098,218</u> | <u>\$ 27,298,293</u> | <u>28,423,495</u> |

#### PROPRIETARY (BUSINESS-TYPE ACTIVITIES)

The main proprietary (business-type) activities of the District are the food service operation and the day care operation.

The cash balance for the food service operation increased by \$117,511 in fiscal year 2019. Receipts increased by \$69,065 and expenses decreased by \$128,550. Expenses exceeded receipts by \$77,158 for 2019 fiscal year resulting in a decrease in net position. The food service operation is self-operating without assistance from the General Fund. This business activity receives no support from tax revenues. The food service operation paid \$112,846 in indirect costs to the District during fiscal year 2019.

The cash balance for the day care operation decreased by \$30,773 in fiscal year 2019. Receipts decreased by \$17,103 and expenses decreased by \$223,648. The net position balance for the day care operation increases by \$81,594 in fiscal year 2019. The day care program is generally self-supporting and maintains a sufficient carry forward each year to compensate for fluctuations in revenues and expenses.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets:** At the end of fiscal year 2019, the District had \$65,391,515 invested in land, buildings, equipment, and vehicles compared to \$65,013,444 at the end of fiscal year 2018. Additional assets currently under capital lease in the amount of \$286,345 are not included in the above total. Accumulated depreciation for the aforementioned investments totals \$38,903,570 with an additional \$286,345 for assets currently under capital lease.

**Capital Assets (Net of Depreciation) as of June 30, 2019 and June 30, 2018**

|                          | <b>Governmental Activities</b> |                     | <b>Business Type Activities</b> |                   | <b>Totals</b>       |                     |
|--------------------------|--------------------------------|---------------------|---------------------------------|-------------------|---------------------|---------------------|
|                          | <u>2019</u>                    | <u>2018</u>         | <u>2019</u>                     | <u>2018</u>       | <u>2019</u>         | <u>2018</u>         |
| Land and Improvements    | \$ 1,852,739                   | \$ 1,802,611        | \$ -                            | \$ -              | \$ 1,852,739        | \$ 1,802,611        |
| Construction in Progress | -                              | -                   | -                               | -                 | -                   | -                   |
| Buildings & Improvement  | 24,125,959                     | 25,662,116          | 46,274                          | 52,216            | 24,172,233          | 25,714,332          |
| Technology Equipment     | 106,329                        | 105,081             | -                               | -                 | 106,329             | 105,081             |
| Vehicles                 | 1,252,814                      | 1,367,070           | -                               | -                 | 1,252,814           | 1,367,070           |
| General Equipment        | 118,511                        | 135,883             | 193,077                         | 237,470           | 311,588             | 373,353             |
| <b>Totals</b>            | <u>\$27,456,352</u>            | <u>\$29,072,761</u> | <u>\$ 239,351</u>               | <u>\$ 289,686</u> | <u>\$27,695,703</u> | <u>\$29,362,447</u> |

**Debt Administration:** As of June 30, 2019 the District has \$14,948,074 of debt outstanding. This represents a decrease from FY 2018 in the amount of \$1,381,503.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in the balance sheet) reported a combined unassigned fund balance of \$6,929,472. Effective for the end of fiscal year 2019, in compliance with GASB 54 regulations, \$4,132,386 was restricted, committed or assigned for special projects including SBDM Council carry forward and accumulated sick leave liability.

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, accounts receivable, disbursements, accounts payable, and encumbrances. The most significant budgeted fund is the General Fund.

The General Fund is the principal operating fund of the District. At year end, it was comprised of \$8,696,402 of which \$6,929,472 was unassigned and \$1,766,930 was either restricted, committed or assigned. The unassigned portion was \$1,273,418 greater than last year's total of \$5,656,054.

Local revenues and investments accounted for 35.37% of Governmental Fund Revenues while 64.63% was comprised of state and federal funding. The percentage of funds received from local sources increased by 4.69% from fiscal year 2018 primarily due to an increase in property value assessments and a decrease in AADA.

The District is required to analyze any significant variations between the final budget (approved in September) and actual expenditures and revenues for the fiscal year. Significant variations are considered to be any variations over 10% of the budgeted amount. Total variations in the final budgeted revenue and actual revenue were 8.02% and do not represent a significant variation. The significant expenditure variations are summarized as follows:

- The favorable variance of \$307,434 (28.36%) in district administration is due in large part to accrued sick leave paid. Of the \$200,000 budgeted, only \$57,329 was paid out in fiscal year 2019. Another favorable variance in Professional Services category was evident. Of the \$326,500 budgeted, only \$268,229 was paid out in fiscal year 2019. Finally, the District budgets a reasonable sum to legal expenses during the year as the actual cost of these is difficult to anticipate.
- The favorable variance of \$3,639,206 (60.54%) in plant operations and maintenance can attributed to the amount budgeted for construction and paving services. Of the \$3,403,000 budgeted, only \$170,025 was paid out during FY19. The favorable variance can also be attributed to amounts budgeted for utilities. Of the \$874,050 budgeted, only \$787,151 was utilized in FY19. Budgeted amounts for building operations and maintenance have been increased to handle additional costs of aging buildings. Regular preventative maintenance however, have kept those costs lower than anticipated.

- The favorable variance of \$355,405 (18.40%) in student transportation can be attributed lower fuel prices during FY19. Of the \$429,613 budget designated for diesel fuel and gasoline, only \$221,169 was utilized. The recent purchases of new buses has also contributed to keeping down the expense associated with repairs and maintenance.

## **BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year runs from July 1<sup>st</sup> through June 30<sup>th</sup>; other programs, i.e., some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. Kentucky Statute requires each district to allocate a minimum of 2% of the total budget to contingency. The District adopted a budget for fiscal year 2020 that included \$2,477,805 in contingency or a total of 7.79%. The remainder of the fiscal year 2019 budget was developed after careful consideration of several factors including:

- The District anticipates \$18,801,948 in receipts excluding on-behalf payments received from the state for fiscal year 2020 as opposed to the \$19,317,001 receipted during fiscal year 2019. A proposed tax rate of \$.463 per \$100 valuations for both real and personal property is expected to produce an additional \$638,826 in revenues. Decreasing enrollment and increases in property assessments are expected to result in a reduction in state funding of approximately \$321,536.
- The employer portion of CERS increased from 21.48% in fiscal year 2019 to 24.06% in fiscal year 2020. House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.
- The District budgeted for two new buses in fiscal year 2020. The District runs approximately 35 regular bus routes, 3 special education bus routes and 6 preschool bus routes on a daily basis. Additional fleet is maintained to provide substitute buses when regular route buses are being serviced and field trip buses for trips during the day when regular routes still need to be run. The District will need to continue purchasing at least 2 buses per year to maintain a fleet of buses where all in-service vehicles are less than 13 years old.
- Although no building or renovation projects are currently scheduled, aging HVAC systems at Calloway County High School are requiring the administration to begin looking at a possible HVAC overhaul in the near future. The deteriorating floor condition at the Calloway County Board of Education is a potential situation that will need to be addressed in fiscal year 2020. The need for expanded athletic facilities is leading to discussion regarding building an auxiliary gym in the near future. Budget decisions are always made with the desire to provide the best possible education and facilities for our students.

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. Questions regarding this report should be directed to the District Finance Officer at the following address: Calloway County Board of Education, 2110 College Farm Road, Murray, Kentucky 42071.



## **BASIC FINANCIAL STATEMENTS**

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2019

|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>        |
|---|------------------------------------|-------------------------------------|---------------------|
| <b>Assets</b>                                   |                                    |                                     |                     |
| Cash and cash equivalents                       | \$ 9,083,284                       | \$ 1,225,297                        | \$ 10,308,581       |
| Receivables                                     |                                    |                                     |                     |
| Accounts  | 80,635                             | 17,883                              | 98,518              |
| Intergovernmental - State                       | 38,105                             | -                                   | 38,105              |
| Intergovernmental - Federal                     | 392,806                            | -                                   | 392,806             |
| Inventories                                     | -                                  | 76,230                              | 76,230              |
| Restricted investments                          | 1,882,856                          | -                                   | 1,882,856           |
| Capital assets not being depreciated            |                                    |                                     |                     |
| Land  | 1,207,758                          | -                                   | 1,207,758           |
| Capital assets, net of accumulated depreciation |                                    |                                     |                     |
| Land improvements                               | 644,981                            | -                                   | 644,981             |
| Building and improvements                       | 24,125,959                         | 46,274                              | 24,172,233          |
| Technology equipment                            | 106,329                            | -                                   | 106,329             |
| Vehicles  | 1,252,814                          | -                                   | 1,252,814           |
| General equipment                               | 118,511                            | 193,077                             | 311,588             |
| Joint venture rights                            | 2,246,394                          | -                                   | 2,246,394           |
| Total assets                                    | <u>41,180,432</u>                  | <u>1,558,761</u>                    | <u>42,739,193</u>   |
| <b>Deferred Outflows of Resources</b>           |                                    |                                     |                     |
| Deferred amount on refunding                    | 351,203                            | -                                   | 351,203             |
| Pension related                                 | 1,246,544                          | 361,463                             | 1,608,007           |
| OPEB related                                    | 947,528                            | 155,592                             | 1,103,120           |
| Total deferred outflows of resources            | <u>2,545,275</u>                   | <u>517,055</u>                      | <u>3,062,330</u>    |
| <b>Liabilities</b>                              |                                    |                                     |                     |
| Unearned revenue                                | 415,828                            | -                                   | 415,828             |
| Accrued interest                                | 113,601                            | -                                   | 113,601             |
| Long-term liabilities                           |                                    |                                     |                     |
| Portion due or payable within one year          |                                    |                                     |                     |
| Bonds   | 1,419,368                          | -                                   | 1,419,368           |
| Portion due or payable after one year           |                                    |                                     |                     |
| Insurance assessment                            | 70,876                             | -                                   | 70,876              |
| Bonds   | 13,528,706                         | -                                   | 13,528,706          |
| Accrued sick leave                              | 1,309,359                          | 31,718                              | 1,341,077           |
| Pension liability                               | 6,425,370                          | 1,863,291                           | 8,288,661           |
| OPEB liability                                  | 9,072,077                          | 543,174                             | 9,615,251           |
| Total liabilities                               | <u>32,355,185</u>                  | <u>2,438,183</u>                    | <u>34,793,368</u>   |
| <b>Deferred Inflows of Resources</b>            |                                    |                                     |                     |
| Pension related                                 | 528,411                            | 153,234                             | 681,645             |
| OPEB related                                    | 721,662                            | 113,642                             | 835,304             |
| Total deferred inflows of resources             | <u>1,250,073</u>                   | <u>266,876</u>                      | <u>1,516,949</u>    |
| <b>Net Position</b>                             |                                    |                                     |                     |
| Net investment in capital assets                | 12,896,279                         | 239,351                             | 13,135,630          |
| Restricted for                                  |                                    |                                     |                     |
| Sick leave                                      | 160,000                            | -                                   | 160,000             |
| Construction                                    | 33,448                             | -                                   | 33,448              |
| SFCC  | 226,971                            | -                                   | 226,971             |
| Debt service                                    | 1,773,451                          | -                                   | 1,773,451           |
| Joint venture                                   | 2,246,394                          | -                                   | 2,246,394           |
| Other   | 162,137                            | -                                   | 162,137             |
| Unrestricted                                    | (7,378,231)                        | (868,594)                           | (8,246,825)         |
| <b>Total net position</b>                       | <u>\$ 10,120,449</u>               | <u>\$ (629,243)</u>                 | <u>\$ 9,491,206</u> |

*The accompanying notes are an integral part of these financial statements.*

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2019

| Functions / Programs                    | Expenses             | Program Revenues        |                                       | Net (Expense) Revenue and<br>Change in Net Position |                             |                     |
|---|----------------------|-------------------------|---------------------------------------|---|-----------------------------|---------------------|
|   |                      | Charges for<br>Services | Operating Grants<br>and Contributions | Governmental<br>Activities                          | Business-Type<br>Activities | Total               |
| Governmental activities:                |                      |                         |                                       |   |                             |                     |
| Instruction                             | \$ 20,966,982        | \$ 41,314               | \$ 4,461,608                          | \$ (16,464,060)                                     | \$ -                        | \$ (16,464,060)     |
| Support services                        |                      |                         |                                       |   |                             |                     |
| Student                                 | 1,169,965            | -                       | -                                     | (1,169,965)   | -                           | (1,169,965)         |
| Instructional staff                     | 1,245,669            | 112,845                 | -                                     | (1,132,824)   | -                           | (1,132,824)         |
| District administration                 | 788,107              | -                       | -                                     | (788,107)   | -                           | (788,107)           |
| School administration                   | 1,581,290            | -                       | -                                     | (1,581,290)   | -                           | (1,581,290)         |
| Business                                | 700,088              | -                       | -                                     | (700,088)   | -                           | (700,088)           |
| Plant operation and management          | 2,886,392            | 204,280                 | -                                     | (2,682,112)   | -                           | (2,682,112)         |
| Student transportation                  | 2,008,405            | -                       | -                                     | (2,008,405)   | -                           | (2,008,405)         |
| Non-instructional services              | 293,401              | -                       | -                                     | (293,401)   | -                           | (293,401)           |
| Facilities acquisition and construction | 4,738                | -                       | -                                     | (4,738)   | -                           | (4,738)             |
| Interest on long-term debt              | 491,683              | -                       | -                                     | (491,683)   | -                           | (491,683)           |
| Amortization - unallocated              | 52,497               | -                       | -                                     | (52,497)  | -                           | (52,497)            |
| Total governmental activities           | <u>32,189,217</u>    | <u>358,439</u>          | <u>4,461,608</u>                      | <u>(27,369,170)</u>                                 | <u>-</u>                    | <u>(27,369,170)</u> |
| Business-type activities:               |                      |                         |                                       |   |                             |                     |
| Food service                            | 2,437,855            | 4,509                   | 2,283,268                             | -   | (150,078)                   | (150,078)           |
| Child care                              | 253,596              | 226,295                 | 108,895                               | -   | 81,594                      | 81,594              |
| Other enterprise                        | 72,615               | -                       | 72,615                                | -   | -                           | -                   |
| Total business-type activities          | <u>2,764,066</u>     | <u>230,804</u>          | <u>2,464,778</u>                      | <u>-</u>  | <u>(68,484)</u>             | <u>(68,484)</u>     |
| Total primary government                | <u>\$ 34,953,283</u> | <u>\$ 589,243</u>       | <u>\$ 6,926,386</u>                   | <u>(27,369,170)</u>                                 | <u>(68,484)</u>             | <u>(27,437,654)</u> |
| <b>General revenues:</b>                |                      |                         |                                       |   |                             |                     |
| Taxes                                   |                      |                         |                                       |   |                             |                     |
| Property                                |                      |                         |                                       | 7,551,913   | -                           | 7,551,913           |
| Motor vehicle                           |                      |                         |                                       | 1,218,402   | -                           | 1,218,402           |
| Utilities                               |                      |                         |                                       | 1,482,570   | -                           | 1,482,570           |
| Other                                   |                      |                         |                                       | 315,889   | -                           | 315,889             |
| Investment earnings                     |                      |                         |                                       | 266,207   | 27,572                      | 293,779             |
| Other local revenue                     |                      |                         |                                       | 272,636   | -                           | 272,636             |
| Original issue discount                 |                      |                         |                                       | 110,266   | -                           | 110,266             |
| State aid - formula grants              |                      |                         |                                       | 16,905,875  | -                           | 16,905,875          |
| Gain (loss) on sale of assets           |                      |                         |                                       | 187,211   | 45,348                      | 232,559             |
| Total general revenues                  |                      |                         |                                       | <u>28,310,969</u>                                   | <u>72,920</u>               | <u>28,383,889</u>   |
| <b>Change in net position</b>           |                      |                         |                                       | <b>941,799</b>                                      | <b>4,436</b>                | <b>946,235</b>      |
| Net position, beginning of year         |                      |                         |                                       | <u>9,178,650</u>                                    | <u>(633,679)</u>            | <u>8,544,971</u>    |
| Net position, end of year               |                      |                         |                                       | <u>\$ 10,120,449</u>                                | <u>\$ (629,243)</u>         | <u>\$ 9,491,206</u> |

The accompanying notes are an integral part of these financial statements.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2019

|  | <b>General<br/>Fund</b> | <b>Special<br/>Revenue<br/>Fund</b> | <b>Debt<br/>Service<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|-------------------------------------|----------------------------------|---|---|
| <b>Assets</b>                              |                         |                                     |                                  |   |   |
| Cash and cash equivalents                  | \$ 8,524,622            | \$ 76,062                           | \$ -                             | \$ 482,600                              | \$ 9,083,284                            |
| Receivables                                |                         |                                     |                                  |   |   |
| Accounts                                   | 80,635                  | -                                   | -                                | -                                       | 80,635                                  |
| Intergovernmental - State and local        | -                       | 38,105                              | -                                | -                                       | 38,105                                  |
| Intergovernmental - Federal                | -                       | 392,806                             | -                                | -                                       | 392,806                                 |
| Due from other funds                       | 91,145                  | -                                   | -                                | -                                       | 91,145                                  |
| Restricted investments                     | -                       | -                                   | 1,882,856                        | -                                       | 1,882,856                               |
| <b>Total assets</b>                        | <b>\$ 8,696,402</b>     | <b>\$ 506,973</b>                   | <b>\$ 1,882,856</b>              | <b>\$ 482,600</b>                       | <b>\$ 11,568,831</b>                    |
| <b>Liabilities and Fund Balances</b>       |                         |                                     |                                  |   |   |
| <b>Liabilities</b>                         |                         |                                     |                                  |   |   |
| Due to other funds                         | -                       | 91,145                              | -                                | -                                       | 91,145                                  |
| Unearned revenue                           | -                       | 415,828                             | -                                | -                                       | 415,828                                 |
| <b>Total liabilities</b>                   | <b>-</b>                | <b>506,973</b>                      | <b>-</b>                         | <b>-</b>                                | <b>506,973</b>                          |
| <b>Fund Balances</b>                       |                         |                                     |                                  |   |   |
| Restricted                                 | 160,000                 | -                                   | 1,882,856                        | 482,600                                 | 2,525,456                               |
| Committed                                  | 1,606,930               | -                                   | -                                | -                                       | 1,606,930                               |
| Assigned                                   | -                       | -                                   | -                                | -                                       | -                                       |
| Unassigned                                 | 6,929,472               | -                                   | -                                | -                                       | 6,929,472                               |
| <b>Total fund balances</b>                 | <b>8,696,402</b>        | <b>-</b>                            | <b>1,882,856</b>                 | <b>482,600</b>                          | <b>11,061,858</b>                       |
| <b>Total liabilities and fund balances</b> | <b>\$ 8,696,402</b>     | <b>\$ 506,973</b>                   | <b>\$ 1,882,856</b>              | <b>\$ 482,600</b>                       | <b>\$ 11,568,831</b>                    |

*The accompanying notes are an integral part of these financial statements.*

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2019

**Total fund balances - governmental funds** **\$ 11,061,858**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$65,581,289 and the accumulated depreciation is \$38,124,937. 27,456,352

Certain long-term assets related to current and prior bond issues are not reported in the governmental funds because they are not available to pay current period expenditures. These assets are, however, included in the statement of net position. 351,203

Deferred outflows of resources related to pensions and OPEB are not reported in the governmental fund because the consumption of net position will occur in future periods. 2,194,072

Deferred inflows of resources related to pensions and OPEB are not reported in the governmental fund because the acquisition of net position will occur in future periods. (1,250,073)

Joint ventures are not reported in the governmental funds because current financial resources are not required. This investment is, however, included in the statement of net position. 2,246,394

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

|                               |              |              |
|-------------------------------|--------------|--------------|
| Bonds                         | (14,948,074) |              |
| Accrued interest on the bonds | (113,601)    |              |
| Accrued sick leave payable    | (1,309,359)  |              |
| Insurance assessment          | (70,876)     |              |
| Pension liability             | (6,425,370)  |              |
| OPEB liability                | (9,072,077)  |              |
|                               | (31,939,357) | (31,939,357) |

**Total net position - governmental activities** **\$ 10,120,449**

*The accompanying notes are an integral part of these financial statements.*

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2019

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-------------------------------------|----------------------------------|---|---|
| <b>Revenues</b>                                |                         |                                     |                                  |   |   |
| From local sources                             |                         |                                     |                                  |   |   |
| Taxes  |                         |                                     |                                  |   |   |
| Property                                       | \$ 6,578,982            | \$ -                                | \$ -                             | \$ 972,931                              | \$ 7,551,913                            |
| Motor vehicle                                  | 1,218,402               | -                                   | -                                | -                                       | 1,218,402                               |
| Utilities                                      | 1,482,570               | -                                   | -                                | -                                       | 1,482,570                               |
| Other  | 315,889                 | -                                   | -                                | -                                       | 315,889                                 |
| Earnings on investments                        | 252,345                 | -                                   | -                                | 13,862                                  | 266,207                                 |
| Indirect cost reimbursements                   | 162,712                 | -                                   | -                                | -                                       | 162,712                                 |
| Other local revenues                           | 221,577                 | 231,661                             | -                                | 109,019                                 | 562,257                                 |
| Intergovernmental - State                      | 16,073,288              | 1,451,272                           | 442,659                          | 389,928                                 | 18,357,147                              |
| Intergovernmental - Indirect Federal           | 26,643                  | 2,735,386                           | -                                | -                                       | 2,762,029                               |
| Total revenues                                 | <u>26,332,408</u>       | <u>4,418,319</u>                    | <u>442,659</u>                   | <u>1,485,740</u>                        | <u>32,679,126</u>                       |
| <b>Expenditures</b>                            |                         |                                     |                                  |   |   |
| Current  |                         |                                     |                                  |   |   |
| Instruction                                    | 16,019,253              | 3,720,615                           | -                                | 82,360                                  | 19,822,228                              |
| Support Services                               |                         |                                     |                                  |   |   |
| Student  | 1,013,413               | 116,122                             | -                                | 2,493                                   | 1,132,028                               |
| Instructional staff                            | 1,138,269               | 87,383                              | -                                | 12,571                                  | 1,238,223                               |
| District administration                        | 776,566                 | -                                   | -                                | -                                       | 776,566                                 |
| School administration                          | 1,495,109               | 12,046                              | -                                | -                                       | 1,507,155                               |
| Business                                       | 676,198                 | 12,282                              | -                                | -                                       | 688,480                                 |
| Plant operation and management                 | 2,371,794               | 37,732                              | -                                | 130                                     | 2,409,656                               |
| Student transportation                         | 1,576,095               | 158,278                             | -                                | 259                                     | 1,734,632                               |
| Non-instructional services                     | -                       | 279,353                             | -                                | -                                       | 279,353                                 |
| Facilities acquisition and construction        | -                       | -                                   | -                                | 4,738                                   | 4,738                                   |
| Debt service                                   |                         |                                     |                                  |   |   |
| Principal                                      | -                       | -                                   | 1,379,235                        | -                                       | 1,379,235                               |
| Interest and debt service issuance costs       | -                       | -                                   | 415,825                          | -                                       | 415,825                                 |
| Other  | -                       | 49,867                              | -                                | -                                       | 49,867                                  |
| Total expenditures                             | <u>25,066,697</u>       | <u>4,473,678</u>                    | <u>1,795,060</u>                 | <u>102,551</u>                          | <u>31,437,986</u>                       |
| Excess (deficit) of revenues over expenditures | <u>1,265,711</u>        | <u>(55,359)</u>                     | <u>(1,352,401)</u>               | <u>1,383,189</u>                        | <u>1,241,140</u>                        |
| <b>Other Financing Sources (Uses)</b>          |                         |                                     |                                  |   |   |
| Original issue discount                        | -                       | -                                   | 110,267                          | -                                       | 110,267                                 |
| Sale of capital assets                         | 268,759                 | -                                   | -                                | -                                       | 268,759                                 |
| Loss on disposition                            | -                       | -                                   | -                                | (8,312)                                 | (8,312)                                 |
| Transfers in                                   | -                       | 55,359                              | 1,352,400                        | -                                       | 1,407,759                               |
| Transfers out                                  | (310,552)               | -                                   | -                                | (1,097,207)                             | (1,407,759)                             |
| Total other financing sources (uses)           | <u>(41,793)</u>         | <u>55,359</u>                       | <u>1,462,667</u>                 | <u>(1,105,519)</u>                      | <u>370,714</u>                          |
| <b>Net change in fund balances</b>             | <b>1,223,918</b>        | <b>-</b>                            | <b>110,266</b>                   | <b>277,670</b>                          | <b>1,611,854</b>                        |
| Fund balances, beginning of year               | <u>7,472,484</u>        | <u>-</u>                            | <u>1,772,590</u>                 | <u>204,930</u>                          | <u>9,450,004</u>                        |
| Fund balances, end of year                     | <u>\$ 8,696,402</u>     | <u>\$ -</u>                         | <u>\$ 1,882,856</u>              | <u>\$ 482,600</u>                       | <u>\$ 11,061,858</u>                    |

*The accompanying notes are an integral part of these financial statements.*

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2019

|   |                     |
|---|---------------------|
| <b>Total net change in fund balances - governmental funds</b> | <b>\$ 1,611,854</b> |
|---|---------------------|

Amounts reported for governmental activities in the statement of activities are different because:

|   |             |
|---|-------------|
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount by which depreciation (\$2,053,687) exceeds capital outlays (\$458,019) in the period. | (1,595,668) |
|---|-------------|

|   |          |
|---|----------|
| In the statement of activities, only the gain or loss on the sale of assets is reported. This is the amount by which the costs of retired assets exceed their accumulated depreciation. | (73,238) |
|---|----------|

|  |           |
|--|-----------|
| Repayment of long-term liabilities such as bond principal and capital leases are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. | 1,381,503 |
|--|-----------|

|   |           |
|---|-----------|
| In the statement of activities, certain operating expenses - accumulated sick leave - are recognized when they are incurred during the year. In the governmental funds, however, expenditures for these items are limited to only those that use current financial resources. | (125,502) |
|---|-----------|

|   |          |
|---|----------|
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | (69,732) |
|---|----------|

|   |          |
|---|----------|
| Expenditures for the maintenance contract on technology equipment covering more than one reporting period are recognized as an expense in the governmental funds in the year incurred. This amount is reported as a deferred charge in the government-wide statements and amortized in the statement of activities. | (15,699) |
|---|----------|

|  |         |
|--|---------|
| Joint ventures are only reported in governmental funds to the extent that current financial resources are required. In the government-wide financial statements, the entire investment is reported as a single amount adjusted for any profit or loss. | 204,280 |
|--|---------|

|  |         |
|--|---------|
| The actuarially determined pension and OPEB expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as expenses in the statement of activities. | 367,606 |
|--|---------|

|  |           |
|--|-----------|
| Some expenses related to pension and OPEB reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds. | (743,605) |
|--|-----------|

|  |                          |
|--|--------------------------|
| <b>Change in net position of governmental activities</b> | <b>\$ <u>941,799</u></b> |
|--|--------------------------|

*The accompanying notes are an integral part of these financial statements.*

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2019

|                                       | <u>Food<br/>Service<br/>Fund</u> | <u>School Age<br/>Child Care<br/>Fund</u> | <u>Other<br/>Enterprise<br/>Funds</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|---------------------------------------|----------------------------------|---|---------------------------------------|---------------------------------------|
| <b>Assets</b>                         |                                  |   |                                       |                                       |
| Current assets                        |                                  |   |                                       |                                       |
| Cash and cash equivalents             | \$ 1,134,580                     | \$ 90,717                                 | \$ -                                  | \$ 1,225,297                          |
| Receivables                           |                                  |   |                                       |                                       |
| Accounts                              | -                                | -   | 17,883                                | 17,883                                |
| Due from other funds                  | 17,883                           | -   | -                                     | 17,883                                |
| Inventories                           | 76,230                           | -   | -                                     | 76,230                                |
| Total current assets                  | <u>1,228,693</u>                 | <u>90,717</u>                             | <u>17,883</u>                         | <u>1,337,293</u>                      |
| Noncurrent assets                     |                                  |   |                                       |                                       |
| Building and improvements             | 348,953                          | -   | -                                     | 348,953                               |
| Technology equipment                  | 16,002                           | 15,067                                    | -                                     | 31,069                                |
| General equipment                     | 924,307                          | -   | -                                     | 924,307                               |
| Accumulated depreciation              | (1,049,911)                      | (15,067)                                  | -                                     | (1,064,978)                           |
| Total noncurrent assets               | <u>239,351</u>                   | <u>-</u>                                  | <u>-</u>                              | <u>239,351</u>                        |
| Total assets                          | <u>1,468,044</u>                 | <u>90,717</u>                             | <u>17,883</u>                         | <u>1,576,644</u>                      |
| <b>Deferred Outflows of Resources</b> |                                  |   |                                       |                                       |
| Pension related                       | 314,999                          | 46,464                                    | -                                     | 361,463                               |
| OPEB related                          | 135,590                          | 20,002                                    | -                                     | 155,592                               |
| Total deferred outflows of resources  | <u>450,589</u>                   | <u>66,466</u>                             | <u>-</u>                              | <u>517,055</u>                        |
| <b>Liabilities</b>                    |                                  |   |                                       |                                       |
| Current liabilities                   |                                  |   |                                       |                                       |
| Due to other funds                    | -                                | -   | 17,883                                | 17,883                                |
| Total current liabilities             | <u>-</u>                         | <u>-</u>                                  | <u>17,883</u>                         | <u>17,883</u>                         |
| Noncurrent liabilities                |                                  |   |                                       |                                       |
| Accrued sick leave                    | 31,718                           | -   | -                                     | 31,718                                |
| Pension liability                     | 1,623,749                        | 239,542                                   | -                                     | 1,863,291                             |
| OPEB liability                        | 473,344                          | 69,830                                    | -                                     | 543,174                               |
| Total noncurrent liabilities          | <u>2,128,811</u>                 | <u>309,372</u>                            | <u>-</u>                              | <u>2,438,183</u>                      |
| Total liabilities                     | <u>2,128,811</u>                 | <u>309,372</u>                            | <u>17,883</u>                         | <u>2,456,066</u>                      |
| <b>Deferred Inflows of Resources</b>  |                                  |   |                                       |                                       |
| Pension related                       | 133,534                          | 19,700                                    | -                                     | 153,234                               |
| OPEB related                          | 99,032                           | 14,610                                    | -                                     | 113,642                               |
| Total deferred inflows of resources   | <u>232,566</u>                   | <u>34,310</u>                             | <u>-</u>                              | <u>266,876</u>                        |
| <b>Net Position</b>                   |                                  |   |                                       |                                       |
| Investment in capital assets          | 239,351                          | -   | -                                     | 239,351                               |
| Unrestricted                          | (682,095)                        | (186,499)                                 | -                                     | (868,594)                             |
| <b>Total net position</b>             | <u>\$ (442,744)</u>              | <u>\$ (186,499)</u>                       | <u>\$ -</u>                           | <u>\$ (629,243)</u>                   |

*The accompanying notes are an integral part of these financial statements.*



**CALLOWAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2019

|  | <u>Food<br/>Service<br/>Fund</u> | <u>School Age<br/>Child Care<br/>Fund</u> | <u>Other<br/>Enterprise<br/>Funds</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|--|----------------------------------|---|---------------------------------------|---------------------------------------|
| <b>Operating Revenues</b>                |                                  |   |                                       |                                       |
| Lunchroom sales                          | \$ 4,509                         | \$ -                                      | \$ -                                  | \$ 4,509                              |
| Community service activities             | -                                | 226,295                                   | -                                     | 226,295                               |
| Total operating revenues                 | <u>4,509</u>                     | <u>226,295</u>                            | <u>-</u>                              | <u>230,804</u>                        |
| <b>Operating Expenses</b>                |                                  |   |                                       |                                       |
| Salaries, wages and benefits             | 1,111,629                        | 230,158                                   | 69,607                                | 1,411,394                             |
| Contract services                        | 28,337                           | 1,104                                     | 3,002                                 | 32,443                                |
| Materials and supplies                   | 1,127,023                        | 15,813                                    | -                                     | 1,142,836                             |
| Depreciation                             | 50,335                           | -   | -                                     | 50,335                                |
| Indirect costs                           | 112,846                          | -   | -                                     | 112,846                               |
| Other                                    | 7,685                            | 6,521                                     | 6                                     | 14,212                                |
| Total operating expenses                 | <u>2,437,855</u>                 | <u>253,596</u>                            | <u>72,615</u>                         | <u>2,764,066</u>                      |
| Operating loss                           | <u>(2,433,346)</u>               | <u>(27,301)</u>                           | <u>(72,615)</u>                       | <u>(2,533,262)</u>                    |
| <b>Non-Operating Revenues (Expenses)</b> |                                  |   |                                       |                                       |
| Interest income                          | 27,572                           | -   | -                                     | 27,572                                |
| Donated commodities                      | 139,357                          | -   | -                                     | 139,357                               |
| Grants - child nutrition program         | 1,849,118                        | -   | -                                     | 1,849,118                             |
| State funding - on-behalf payments       | 149,036                          | 80,396                                    | -                                     | 229,432                               |
| State matching                           | 145,757                          | 28,499                                    | 72,615                                | 246,871                               |
| Other                                    | 45,348                           | -   | -                                     | 45,348                                |
| Total non-operating revenues (expenses)  | <u>2,356,188</u>                 | <u>108,895</u>                            | <u>72,615</u>                         | <u>2,537,698</u>                      |
| <b>Change in net position</b>            | <b>(77,158)</b>                  | <b>81,594</b>                             | <b>-</b>                              | <b>4,436</b>                          |
| Total net position, beginning of year    | <u>(365,586)</u>                 | <u>(268,093)</u>                          | <u>-</u>                              | <u>(633,679)</u>                      |
| Total net position, end of year          | <u>\$ (442,744)</u>              | <u>\$ (186,499)</u>                       | <u>\$ -</u>                           | <u>\$ (629,243)</u>                   |

*The accompanying notes are an integral part of these financial statements.*

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2019

|  | <u><b>Food<br/>Service<br/>Fund</b></u> | <u><b>School Age<br/>Child Care<br/>Fund</b></u> | <u><b>Other<br/>Enterprise<br/>Funds</b></u> | <u><b>Total<br/>Enterprise<br/>Funds</b></u> |
|--|---|--|--|--|
| <b>Cash Flows from Operating Activities</b>  |   |  |  |  |
| Cash received from   |   |  |  |  |
| Lunchroom sales  | \$ 6,172                                | \$ -   | \$ -   | \$ 6,172                                     |
| Community service activities   | -                                       | 226,295  | -  | 226,295                                      |
| Cash paid for  |   |  |  |  |
| Salaries, wages and benefits   | (796,630)                               | (260,071)  | (69,607)                                     | (1,126,308)                                  |
| Contract services  | (28,337)                                | (1,104)  | (3,002)                                      | (32,443)                                     |
| Materials and supplies   | (947,727)                               | (17,871)   | -  | (965,598)                                    |
| Indirect costs   | (112,846)                               | -  | -  | (112,846)                                    |
| Other  | (7,685)                                 | (6,521)  | (6)  | (14,212)                                     |
| Net cash used by operating activities  | <u>(1,887,053)</u>                      | <u>(59,272)</u>                                  | <u>(72,615)</u>                              | <u>(2,018,940)</u>                           |
| <b>Cash Flows from Noncapital Financing Activities</b>   |   |  |  |  |
| Due from other funds   | (17,883)                                | -  | -  | (17,883)                                     |
| Nonoperating federal grants received   | 1,849,118                               | -  | -  | 1,849,118                                    |
| Nonoperating state grants received   | <u>145,757</u>                          | <u>28,499</u>                                    | <u>72,615</u>                                | <u>246,871</u>                               |
| Net cash provided by noncapital financing activities   | <u>1,976,992</u>                        | <u>28,499</u>                                    | <u>72,615</u>                                | <u>2,078,106</u>                             |
| <b>Cash Flows from Investing Activities</b>  |   |  |  |  |
| Interest income  | <u>27,572</u>                           | <u>-</u>   | <u>-</u>                                     | <u>27,572</u>                                |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>117,511</b>                          | <b>(30,773)</b>                                  | <b>-</b>                                     | <b>86,738</b>                                |
| Cash and cash equivalents, beginning of year   | <u>1,017,069</u>                        | <u>121,490</u>                                   | <u>-</u>                                     | <u>1,138,559</u>                             |
| <b>Cash and cash equivalents, end of year</b>  | <b>\$ 1,134,580</b>                     | <b>\$ 90,717</b>                                 | <b>\$ -</b>                                  | <b>\$ 1,225,297</b>                          |
| <b>Reconciliation of Operating Loss to Net Cash Used<br/>by Operating Activities</b>                             |   |  |  |  |
| Operating loss   | \$ (2,433,346)                          | \$ (27,301)                                      | \$ (72,615)                                  | \$ (2,533,262)                               |
| Adjustments to reconcile operating loss to net cash used by<br>operating activities                              |   |  |  |  |
| Depreciation   | 50,335                                  | -  | -  | 50,335                                       |
| Salaries, wages and benefits (on-behalf payments)  | 149,036                                 | 80,396   | -  | 229,432                                      |
| Materials and supplies (commodities used)  | 139,357                                 | -  | -  | 139,357                                      |
| Changes in assets and liabilities  |   |  |  |  |
| Receivables, account   | 1,663                                   | -  | -  | 1,663  |
| Inventories  | 39,150                                  | -  | -  | 39,150                                       |
| Prepaid expenses   | 789                                     | -  | -  | 789  |
| Accounts Payable   | -                                       | (2,056)  | -  | (2,056)                                      |
| Accrued sick leave   | (3,342)                                 | -  | -  | (3,342)                                      |
| Pension and OPEB related - changes in deferred outflows/inflows,<br>net pension liability and net OPEB liability | <u>169,305</u>                          | <u>(110,311)</u>                                 | <u>-</u>                                     | <u>58,994</u>                                |
| Net cash used by operating activities  | <u>\$ (1,887,053)</u>                   | <u>\$ (59,272)</u>                               | <u>\$ (72,615)</u>                           | <u>\$ (2,018,940)</u>                        |
| <b>Noncash Noncapital Financing Activities</b>   |   |  |  |  |
| Donated food commodities received from the U.S. Department of Agriculture  | \$ 139,357                              | \$ -   | \$ -   | \$ 139,357                                   |
| State funding - on-behalf payments   | <u>\$ 149,036</u>                       | <u>\$ 80,396</u>                                 | <u>\$ -</u>                                  | <u>\$ 229,432</u>                            |

*The accompanying notes are an integral part of these financial statements.*

**CALLOWAY COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2019**

|                            | <b>Private<br/>Purpose<br/>Trust<br/>Funds</b> | <b>Agency<br/>Funds</b> |
|----------------------------|--|-------------------------|
| <b>Assets</b>              |  |                         |
| Cash and cash equivalents  | \$ 69,133                                      | \$ 420,056              |
| Total assets               | <u>69,133</u>                                  | <u>420,056</u>          |
| <b>Liabilities</b>         |  |                         |
| Due to student groups      | -  | 324,861                 |
| Due to grantor agencies    | -  | 95,195                  |
| Total liabilities          | <u>-</u>                                       | <u>\$ 420,056</u>       |
| <b>Net Position</b>        |  |                         |
| Net position held in trust | <u>69,133</u>                                  |                         |
| <b>Total net position</b>  | <u><b>\$ 69,133</b></u>                        |                         |

*The accompanying notes are an integral part of these financial statements.*

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
For the Year Ended June 30, 2019

|                                 | <b>Private<br/>Purpose<br/>Trust<br/>Funds</b> |
|---------------------------------|--|
| <b>Additions</b>                |  |
| Interest                        | \$ 1,664                                       |
| Donations                       | 250  |
| <b>Deductions</b>               |  |
| Support Services                |  |
| Non-instructional services      | <u>(5,167)</u>                                 |
| <b>Change in net position</b>   | <b>(3,253)</b>                                 |
| Net position, beginning of year | <u>72,386</u>                                  |
| Net position, end of year       | <u><b>\$ 69,133</b></u>                        |

*The accompanying notes are an integral part of these financial statements.*

## **NOTES TO FINANCIAL STATEMENTS**

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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

The accounting policies of the Calloway County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

**A. Reporting Entity**

The Calloway County Board of Education (Board), a six 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 Calloway County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board 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 Board, for financial purposes, includes all of the funds relevant to the operation of the Calloway 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, Parent-Teacher Associations, etc.

The financial statements of the Board 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:

Calloway County School District Finance Corporation – In 1993, the Calloway County, Kentucky, Board of Education resolved to authorize the establishment of the Calloway County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Calloway County Board of Education also comprise the Corporation's Board of Directors.

**B. Basis of Presentation**

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

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the governmental and business-type activities. Direct expenses are those that are specifically associated with a particular function. Program revenues include charges paid for goods or services offered by the program and grants and contributions that are restricted to meeting the financial 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 function is self-financing or is subsidized by the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three primary categories: governmental, business-type (proprietary), and fiduciary. An emphasis is placed on major funds within the governmental and business-type categories, and a fund is considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 5 percent of the corresponding total for all governmental and business-type funds combined.

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 a 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 net total assets. 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 unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- b. Special Revenue funds account for proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to disbursements for specified purposes.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

1. Special Revenue (Grant) Fund includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
2. The Special Revenue District Activity Fund includes funds restricted to expenditures for purposes specified by Redbook requirements. Project accounting is employed to maintain integrity for the various sources of funds.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).
  1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  2. The Facility Support Program of Kentucky Building 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.
  3. The Construction Funds account for proceeds from sales of bonds and other revenues to be used for authorized construction.
- d. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

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

- a. The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program and School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund of the District.
- b. The School Age Child Care Fund is used to account for specific needs and purposes. This is a major fund of the District.
- c. The Adult Education Fund is used to account for specific needs and purposes related to adult education.



**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

III. Fiduciary Fund Type (includes agency and private purpose trust funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

The Private Purpose Trust Fund is used to report trust arrangements which benefit individuals, private organizations or other governments.

**C. 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, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty 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. Property taxes levied to finance fiscal year 2019 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. 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 year when use is first permitted, and, matching requirements, in which the District must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

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.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received, payments made by the State on behalf of the District and changes in the accrued sick leave liability during the year are reported in the statement of cash flows of the proprietary fund as a noncash, noncapital financing activity.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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

**D. Budgetary Process**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. An approved budget can be amended by the Board and all budget appropriations lapse at year-end.

**E. Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**F. Impact of Recently Issued Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 87 – Leases, effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management is currently evaluating the impact that the adoption of this statement will have on the District's financial statements.

**G. Cash, Cash Equivalents and Investments**

The Board considers demand deposits, money market accounts, and time deposits that are nonnegotiable, to be cash and cash equivalents, for the governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statement of cash flows.

The District may invest funds in a bank depository selected by the Board, bonds of the United States, or instruments issued by political subdivisions of Kentucky, however, such investments must be approved by the Kentucky Department of Education.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
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**H. Fair Value Inputs and Methodologies and Hierarchy**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. See Note 2B for investments subject to fair value valuation. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

**Level 1** – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each fund has the ability to access.

**Level 2** – other observable inputs [(including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs)].

**Level 3** – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments).

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

**I. Inventories**

Inventories are stated at cost using the first-in, first-out method for the governmental funds and average cost method for the proprietary funds.

Inventories are expensed when used in the government-wide financial statements and recorded as expenditures in the governmental fund types when purchased.

Nonmonetary assistance is reported in the proprietary fund at the market value of the commodities received/used.

**J. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as expenditures when consumed rather than when purchased.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
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**K. 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. The District maintains a capitalization threshold of \$5,000 for all assets, including technology, which has a useful life of more than one year. The District does not possess any infrastructure. Improvements are capitalized and the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed as a current operating expenditure.

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:

| <u>Description</u>         | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and improvements | 25-50 years            |
| Land improvements          | 20 years               |
| Technology equipment       | 5 years                |
| Vehicles                   | 5-10 years             |
| Food service equipment     | 12 years               |
| General equipment          | 5-10 years             |

**L. Restricted Assets**

Certain investments of the District's Debt Service Fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and they are maintained in a separate account.

**M. Interfund Activity**

Interfund transactions are reflected as loans or transfers. Loans are reported as receivables and payables as appropriate and are referred to as either "due to/from other funds". These loans are subject to elimination upon consolidation. Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**N. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports pension-related items, OPEB related items and deferred charges on refunding bonds in this category.

In addition to liabilities, the statement of financial position includes 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 that time. The District records pension-related items and OPEB related items as deferred inflows of resources.

**O. Accrued and Long-Term Liabilities**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables and accrued liabilities, if any, payable from proprietary funds are reported in the proprietary fund financial statements. Bond premiums and discounts, as well as deferred amounts on refunding, are deferred and amortized over the life of the bond.

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. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as issuance costs, during the current period.

**P. Pensions**

For the 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 pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Q. Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee's Retirement System Non-Hazardous (CERS) and Teachers' Retirement System (KTRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**R. Fund Balances**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

**Nonspendable fund balance**

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Restricted fund balance**

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

**Committed fund balance**

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Education of the Calloway County School District. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution).

**Assigned fund balance**

This classification includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designee, the Superintendent, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

**Unassigned fund balance**

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

**S. Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their 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 governmental entities.

**CALLOWAY COUNTY SCHOOL DISTRICT  
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Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**T. Property Taxes**

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Property taxes were levied on August 31, 2018 on the assessed values. Taxes were due with a discount by November 1 and without a discount from November 2 through December 31. Taxes became delinquent on January 1 and liens are applied on April 16.

The property tax rates for the year ended June 30, to finance the General Fund operations were \$.453 per \$100 valuation for real property, \$.453 per \$100 valuation for business tangible personal property, and \$.521 per \$100 valuation for motor vehicles.

**U. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - DETAILED NOTES ON ACCOUNTS**

**A. Deposits**

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At fiscal year-end, the carrying amount of the District's deposits was \$10,797,770 and the bank balance was \$11,807,852. Of the District's bank balance, \$11,307,852 was collateralized as discussed above because it was uninsured, while \$500,000 was covered by Federal Deposit Insurance.

For purposes of the Statement of Cash Flows, the District considers all investments with a maturity of three months or less when purchased to be cash equivalents.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Reconciliation to Government-wide Statement of Net Position:

|  |                      |
|--|----------------------|
| Unrestricted cash, including time deposits   | \$ 10,308,581        |
| Private purpose trust cash, including time deposits<br>(not included in government-wide statement) | 69,133               |
| Agency fund cash (not included in government-wide statement)                                       | <u>420,056</u>       |
|  | <u>\$ 10,797,770</u> |

These amounts are reported in the financial statements, as follows:

|                          |                     |
|--------------------------|---------------------|
| Governmental activities  | \$ 9,083,284        |
| Business-type activities | 1,225,297           |
| Fiduciary funds          | <u>489,189</u>      |
|                          | <u>\$10,797,770</u> |

**B. Restricted Investments**

The District sold a \$2,000,000 Qualified Zone Academy Bond (QZAB) on October 3, 2007 for the purpose of financing the cost of renovations to several school district instructional buildings. On the delivery date an initial cash payment in the amount of \$1,114,000 was required to be deposited in a Prefunded Escrow Account at Monticello Banking Company in Somerset, Kentucky, \$160,000 of which was for trustee fees. The trustee used the remaining prepayment to purchase a Federal Home Loan Mortgage Corporation (FHLMC) zero coupon bond in the amount of \$954,000, which will mature on September 15, 2022 and should earn an amount sufficient to retire the \$2,000,000 bond principal due on that date. The original issue discount recognized in the current year was \$110,266.

As of June 30, 2019, the District held the following investment:

| Investment Type                        | Credit<br>Rating | Investment Maturities (Years) |                     |             |                 |
|--|------------------|-------------------------------|---------------------|-------------|-----------------|
|  |                  | Fair Value                    | Less Than 1         | 1-10        | More Than<br>10 |
| U.S. government securities:            |                  |                               |                     |             |                 |
| Federal Home Loan Mortgage Corporation | Aaa              | <u>\$ 1,882,856</u>           | <u>\$ 1,882,856</u> | <u>\$ -</u> | <u>\$ -</u>     |
|  |                  | <u>\$ 1,882,856</u>           | <u>\$ 1,882,856</u> | <u>\$ -</u> | <u>\$ -</u>     |

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.



**CALLOWAY COUNTY SCHOOL DISTRICT**  
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The District has the following recurring fair value measurements as of June 30, 2019:

|                                 | <u>Fair Value</u>   | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> |
|---------------------------------|---------------------|---------------------|----------------|----------------|
| Investments by fair value level |                     |                     |                |                |
| U.S. government securities      | <u>\$ 1,882,856</u> | <u>\$ 1,882,856</u> | <u>\$ -</u>    | <u>\$ -</u>    |

The District does not have an investment policy for interest rate risk, credit risk, custodial credit risk, or concentration of credit risk beyond the requirements of KRS 66.480. For an investment, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation is exposed to custodial credit risk in that it is uninsured and held by the counterparty's trust department in the District's name.

**C. Capital Assets**

Changes in the capital assets during the year are summarized below:

| <u>Governmental Activities</u> | <u>Balance<br/>July 1, 2018</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance<br/>June 30, 2019</u> |
|--------------------------------|---------------------------------|------------------|-------------------|----------------------------------|
| Non-depreciable                |                                 |                  |                   |                                  |
| Land                           | \$ 1,267,227                    | \$ -             | \$ 59,469         | \$ 1,207,758                     |
| Construction in progress       | -                               | -                | -                 | -                                |
| Totals                         | <u>1,267,227</u>                | <u>-</u>         | <u>59,469</u>     | <u>1,207,758</u>                 |

**CALLOWAY COUNTY SCHOOL DISTRICT**  
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|                                       | Balance<br>July 1, 2018 | Additions             | Deductions       | Balance<br>June 30, 2019 |
|---------------------------------------|-------------------------|-----------------------|------------------|--------------------------|
| <b>Depreciable</b>                    |                         |                       |                  |                          |
| Land improvements                     | \$ 2,150,152            | \$ 155,240            | \$ -             | \$ 2,305,392             |
| Buildings and improvements            | 54,601,828              | 77,728                | -                | 54,679,556               |
| Technology equipment                  | 1,317,373               | 32,596                | -                | 1,349,969                |
| Vehicles                              | 4,522,315               | 179,455               | 21,183           | 4,680,587                |
| General equipment                     | 1,063,677               | 13,000                | 4,995            | 1,071,682                |
| Property under capital lease          | 286,345                 | -                     | -                | 286,345                  |
| <b>Totals</b>                         | <b>63,941,690</b>       | <b>458,019</b>        | <b>26,178</b>    | <b>64,373,531</b>        |
| <b>Less: Accumulated depreciation</b> |                         |                       |                  |                          |
| Land improvements                     | 1,614,768               | 45,643                | -                | 1,660,411                |
| Buildings and improvements            | 28,939,712              | 1,613,885             | -                | 30,553,597               |
| Technology equipment                  | 1,212,292               | 31,348                | -                | 1,243,640                |
| Vehicles                              | 3,155,245               | 279,942               | 7,414            | 3,427,773                |
| General equipment                     | 927,794                 | 30,372                | 4,995            | 953,171                  |
| Property under capital lease          | 233,848                 | 52,497                | -                | 286,345                  |
| <b>Totals</b>                         | <b>36,083,659</b>       | <b>2,053,687</b>      | <b>12,409</b>    | <b>38,124,937</b>        |
| <b>Net Book Value</b>                 | <b>27,858,031</b>       | <b>(1,595,668)</b>    | <b>13,769</b>    | <b>26,248,594</b>        |
| <b>Governmental activities</b>        |                         |                       |                  |                          |
| capital assets - net                  | <b>\$ 29,125,258</b>    | <b>\$ (1,595,668)</b> | <b>\$ 73,238</b> | <b>\$ 27,456,352</b>     |
| <b>Business-Type Activities</b>       |                         |                       |                  |                          |
| <b>Depreciable</b>                    |                         |                       |                  |                          |
| Buildings and improvements            | \$ 348,953              | \$ -                  | \$ -             | \$ 348,953               |
| Technology equipment                  | 32,342                  | -                     | 1,273            | 31,069                   |
| General equipment                     | 924,307                 | -                     | -                | 924,307                  |
| <b>Totals</b>                         | <b>1,305,602</b>        | <b>-</b>              | <b>1,273</b>     | <b>1,304,329</b>         |
| <b>Less: Accumulated depreciation</b> |                         |                       |                  |                          |
| Buildings and improvements            | 296,737                 | 5,942                 | -                | 302,679                  |
| Technology equipment                  | 32,342                  | -                     | 1,273            | 31,069                   |
| General equipment                     | 686,837                 | 44,393                | -                | 731,230                  |
| <b>Totals</b>                         | <b>1,015,916</b>        | <b>50,335</b>         | <b>1,273</b>     | <b>1,064,978</b>         |
| <b>Business-type activities</b>       |                         |                       |                  |                          |
| capital assets - net                  | <b>\$ 289,686</b>       | <b>\$ (50,335)</b>    | <b>\$ -</b>      | <b>\$ 239,351</b>        |

Amortization expense of \$52,497 related to a capital lease was not allocated to governmental activities. It appears on the statement of activities as "unallocated".

Depreciation expense has been recorded as a direct expense in the applicable governmental activity functions, as follows:

**CALLOWAY COUNTY SCHOOL DISTRICT**  
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|                                 |                     |
|---------------------------------|---------------------|
| Instruction                     | \$ 1,363,953        |
| Support services:               |                     |
| Student                         | 3,486               |
| Instructional staff             | 2,015               |
| District administration         | 15,336              |
| School administration           | 3,649               |
| Plant operations and management | 360,872             |
| Student transportation          | 251,879             |
|                                 | <u>\$ 2,001,190</u> |

**D. Long-Term Liabilities**

The District's debt is the responsibility of the governmental activities.

The original amount of each bond issue, the bond issue dates, interest rates, and maturity dates are summarized below:

| <u>Issue</u> | <u>Original Amount</u> | <u>Interest Rates</u> | <u>Maturity Dates</u> |
|--------------|------------------------|-----------------------|-----------------------|
| 2007 (QZAB)  | \$ 2,000,000           | 5.58%                 | 2022                  |
| 2008         | 3,510,000              | 2.60% - 4.875%        | 2018                  |
| 2009         | 1,292,960              | 1.00% - 3.30%         | 2019                  |
| 2010         | 1,030,000              | .70% - 2.50%          | 2021                  |
| 2010         | 6,265,000              | .60% - 2.90%          | 2022                  |
| 2013         | 5,995,000              | 1.70% - 4.125%        | 2034                  |
| 2014         | 2,765,000              | 0.90% - 3.00%         | 2030                  |
| 2016         | 2,955,000              | 2.00% - 2.10%         | 2028                  |

The District, through the General Fund [including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund] is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Calloway County Fiscal Court and the Calloway County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1986, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

Changes in the bond issues during the year are summarized below:

**CALLOWAY COUNTY SCHOOL DISTRICT**  
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| Issue            | Balance at<br>July 1, 2018 | New<br>Issues | Retirements         | Balance at<br>June 30, 2019 |
|------------------|----------------------------|---------------|---------------------|-----------------------------|
| 2007 - QZAB      | \$ 2,000,000               | \$ -          | \$ -                | \$ 2,000,000                |
| 2008             | 100,000                    | -             | 100,000             | -                           |
| 2009 - KISTA     | 181,335                    | -             | 89,235              | 92,100                      |
| 2010 - Refunding | 420,000                    | -             | 135,000             | 285,000                     |
| 2010 - Refunding | 2,955,000                  | -             | 720,000             | 2,235,000                   |
| 2013             | 5,645,000                  | -             | 140,000             | 5,505,000                   |
| 2014 - Refunding | 2,155,000                  | -             | 155,000             | 2,000,000                   |
| 2016 - Refunding | 2,850,000                  | -             | 40,000              | 2,810,000                   |
|                  | <u>\$ 16,306,335</u>       | <u>\$ -</u>   | <u>\$ 1,379,235</u> | <u>\$ 14,927,100</u>        |

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2019 for debt service (principal and interest) are as follows:

| Year      | Calloway County School<br>District |                     | Kentucky School Facilities<br>Construction Commission |                   | Total                |
|-----------|------------------------------------|---------------------|---|-------------------|----------------------|
|           | Principal                          | Interest            | Principal   | Interest          |                      |
| 2020      | 1,038,823                          | 322,919             | 378,277   | 59,201            | 1,799,220            |
| 2021      | 1,082,464                          | 296,916             | 292,536   | 50,998            | 1,722,914            |
| 2022      | 3,072,946                          | 268,885             | 287,054   | 44,050            | 3,672,935            |
| 2023      | 536,156                            | 238,960             | 158,844   | 36,739            | 970,699              |
| 2024-2028 | 3,149,836                          | 975,907             | 850,164   | 127,740           | 5,103,647            |
| 2029-2033 | 3,020,316                          | 474,585             | 349,684   | 43,250            | 3,887,835            |
| 2034      | 654,493                            | 26,998              | 55,507  | 2,290             | 739,288              |
|           | <u>\$ 12,555,034</u>               | <u>\$ 2,605,170</u> | <u>\$ 2,372,066</u>                                   | <u>\$ 364,268</u> | <u>\$ 17,896,538</u> |

Changes in the long-term liability accounts during the year are summarized below:

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|                          | Balance at<br>July 1, 2018 | Increases         | Decreases           | Balance at<br>June 30, 2019 | Due in One<br>Year  |
|--------------------------|----------------------------|-------------------|---------------------|-----------------------------|---------------------|
| Bonds                    | \$ 16,306,335              | \$ -              | \$ 1,379,235        | \$ 14,927,100               | \$ 1,417,100        |
| Premium on bond issue    | 23,242                     | -                 | 2,268               | 20,974                      | 2,268               |
|                          | <u>16,329,577</u>          | <u>-</u>          | <u>1,381,503</u>    | <u>14,948,074</u>           | <u>1,419,368</u>    |
| Accrued sick leave:      |                            |                   |                     |                             |                     |
| Governmental activities  | 1,183,857                  | 125,502           | -                   | 1,309,359                   | -                   |
| Business-type activities | 35,060                     | 5,311             | 8,653               | 31,718                      | -                   |
|                          | <u>1,218,917</u>           | <u>130,813</u>    | <u>8,653</u>        | <u>1,341,077</u>            | <u>-</u>            |
| Insurance assessment     | 70,876                     | -                 | 70,876              | -                           | -                   |
|                          | <u>\$ 17,619,370</u>       | <u>\$ 130,813</u> | <u>\$ 1,461,032</u> | <u>\$ 16,289,151</u>        | <u>\$ 1,419,368</u> |

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The compensated absences and insurance assessment will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

**E. Compensated Absences and Accumulated Sick Leave**

Certified and classified employees of the District are entitled to payment of 30% of the value of accumulated sick and personal days upon retirement. Kentucky Revised Statutes allow the District to restrict up to 50% of accumulated benefits for all employees eligible to retire as of September 15, 2018. The total amount of accumulated benefits for all employees eligible to retire at this date is \$329,444. A \$160,000 balance is restricted in the General Fund at the balance sheet date. The District recognizes the expense of these benefits when payment is made by the governmental fund to a retiring employee.

Accrued sick leave benefits are estimated by the vesting method. This entire future obligation is reported in the government-wide financial statements.

**F. Fund Balances**

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2019 are as follows:

|                 | General<br>Fund | Special<br>Revenue<br>Fund | District<br>Activity Fund | Capital<br>Outlay Fund | Building<br>Fund | Construction<br>Fund | Debt<br>Service<br>Fund |
|-----------------|-----------------|----------------------------|---------------------------|------------------------|------------------|----------------------|-------------------------|
| Restricted for: |                 |                            |                           |                        |                  |                      |                         |
| Sick leave      | \$ 160,000      | \$ -                       | \$ -                      | \$ -                   | \$ -             | \$ -                 | \$ -                    |
| Construction    | -               | -                          | -                         | -                      | -                | 33,448               | -                       |
| Debt service    | -               | -                          | -                         | -                      | -                | -                    | 1,882,856               |
| Other           | -               | -                          | 162,137                   | 226,971                | 60,044           | -                    | -                       |
|                 | <u>160,000</u>  | <u>-</u>                   | <u>162,137</u>            | <u>226,971</u>         | <u>60,044</u>    | <u>33,448</u>        | <u>1,882,856</u>        |

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|                | General<br>Fund    | Special<br>Revenue<br>Fund | District<br>Activity Fund | Capital<br>Outlay Fund | Building<br>Fund | Construction<br>Fund | Debt<br>Service<br>Fund |
|----------------|--------------------|----------------------------|---------------------------|------------------------|------------------|----------------------|-------------------------|
| Committed for: |                    |                            |                           |                        |                  |                      |                         |
| SBDM           | \$ 106,930         | \$ -                       | \$ -                      | \$ -                   | \$ -             | \$ -                 | \$ -                    |
| Construction   | 1,500,000          | -                          | -                         | -                      | -                | -                    | -                       |
|                | <u>1,606,930</u>   | <u>-</u>                   | <u>-</u>                  | <u>-</u>               | <u>-</u>         | <u>-</u>             | <u>-</u>                |
| Assigned for:  |                    |                            |                           |                        |                  |                      |                         |
| Encumbrances   | -                  | -                          | -                         | -                      | -                | -                    | -                       |
| Unassigned     | <u>6,929,473</u>   | <u>-</u>                   | <u>-</u>                  | <u>-</u>               | <u>-</u>         | <u>-</u>             | <u>-</u>                |
|                | <u>\$8,696,403</u> | <u>\$ -</u>                | <u>\$ 162,137</u>         | <u>\$ 226,971</u>      | <u>\$ 60,044</u> | <u>\$ 33,448</u>     | <u>\$ 1,882,856</u>     |

**G. Deficit Operating/Fund Balances**

The following funds had a deficit fund balance at June 30, 2019:

|                       |            |
|-----------------------|------------|
| Food Service          | \$ 442,744 |
| School Age Child Care | 186,499    |

The deficit fund balances will be eliminated through future operating profits.

The following funds had operations that resulted in a current year deficit of revenues/transfers-in over expenditures/transfers-out:

|                             |         |
|-----------------------------|---------|
| Construction Fund           | 11,880  |
| Food Service Fund           | 77,158  |
| Private Purpose Trust Funds | 3,253   |
| Agency Funds                | 122,311 |

**H. Interfund Transactions**

**Interfund Receivables/Payables (Short-Term)**

The General Fund extends short-term cash flow loans to funds outside the General Fund that receive funding on a reimbursement basis. Repayment is expected when available cash is in excess of that needed for operations. The balance of \$91,145 due to the General Fund from the Special Revenue Fund and the balance of \$17,883 due to the Food Service Fund from the Enterprise Fund are both short-term cash flow loans.

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**Transfers**

The following transfers were made during the year:

| <u>From Fund</u> | <u>To Fund</u>  | <u>Purpose</u> | <u>Amount</u> |
|------------------|-----------------|----------------|---------------|
| General          | Special Revenue | KETS match     | \$ 55,359     |
| General          | Debt Service    | Debt service   | 255,193       |
| Capital Outlay   | Debt Service    | Debt service   | 48,841        |
| Building         | Debt Service    | Debt service   | 1,048,366     |

Indirect cost transfers included in the District's annual financial reports are reported in these financial statements as operating revenues and expenditures. These indirect costs were paid to the General Fund by the following funds:

|                 |                   |
|-----------------|-------------------|
| Special Revenue | \$ 49,868         |
| Food Service    | 112,846           |
|                 | <u>\$ 162,712</u> |

**I. On-Behalf Payments**

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2019:

|  |                     |
|--|---------------------|
| Contributions to Kentucky Teachers' Retirement System                                      | \$ 4,118,034        |
| Health insurance, life insurance, flexible spending accounts (includes administrative fee) | 3,306,483           |
| Technology   | 89,082              |
| Debt service   | 442,659             |
|  | <u>\$ 7,956,258</u> |

The District includes on-behalf payments in their budgets. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements, as follows:

|                            |                     |
|----------------------------|---------------------|
| Governmental activities    |                     |
| General Fund               | \$ 7,284,167        |
| Debt Service Fund          | 442,659             |
| Business-type activities   |                     |
| Food Service Fund          | 149,036             |
| School Age Child Care Fund | 80,396              |
|                            | <u>\$ 7,956,258</u> |

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**NOTE 3 - OTHER INFORMATION**

**A. Retirement Plans**

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

For the year ended June 30, 2019, the District's total payroll for all employees was \$16,827,025. Total covered payroll was \$3,243,359 for CERS and \$11,926,426 for KTRS. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

**County Employee's 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 plan. CERS is 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 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* – The Plan provides for retirement, disability, and death benefits to Plan members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. 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<br>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<br>Or age 57+ and sum of service years plus age equals 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<br>Or age 57+ and sum of service years plus age equals 87 |
|        | Reduced retirement   | Not available  |

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. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. 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



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

*Contributions* – Required contributions by the employee are based on the tier:

|        | <u>Required Contribution</u> |
|--------|------------------------------|
| Tier 1 | 5%                           |
| Tier 2 | 5% + 1% for insurance        |
| Tier 3 | 5% + 1% for insurance        |

Employer contributions rates for the fiscal year were adopted by the Board of KRS based on actuarially recommended rates. The District's contributions to CERS for the year ended June 30, 2019 were \$526,056.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* At June 30, 2019, the District reported a liability of \$8,288,661 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and rolled-forward using general accepted actuarial principles. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the District's proportion was 0.136096%, which was a decrease of 0.002649% from its proportion measured at June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,029,718. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 270,353                                    | \$ 121,329                                   |
| Changes of assumptions  | 810,043                                       | -  |
| Net difference between projected and actual earnings on pension plan investments                              | -   | 99,386                                       |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,555   | 460,930                                      |
| District contributions subsequent to the measurement date   | <u>526,056</u>                                | <u>-</u>                                     |
|   | <u>\$ 1,608,007</u>                           | <u>\$ 681,645</u>                            |

Deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

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| <u>Year ended June 30:</u> |            |
|----------------------------|------------|
| 2019                       | \$ 385,520 |
| 2020                       | 172,391    |
| 2021                       | (113,118)  |
| 2022                       | ( 44,487)  |

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

|   |       |
|---|-------|
| Inflation   | 2.30% |
| Projected salary increases  | 3.05% |
| Investment rate of return, net of<br>investment expense and inflation | 6.25% |

The mortality table used for active members is RP-200 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). Mortality rates for the period after service retirement are according to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females) for all healthy retired members and beneficiaries. The RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. These assumptions are used to measure the probabilities of each benefit payment being made after retirement. These assumptions contain margin form mortality improvement.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

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

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| Asset Class             | Target<br>Allocation | Long-Term<br>Expected<br>Real Rate of<br>Return |
|-------------------------|----------------------|---|
| <b>US Equity</b>        | <b>17.50%</b>        |   |
| US Large Cap            | 5.00%                | 4.50%   |
| US Mid Cap              | 6.00%                | 4.50%   |
| US Small Cap            | 6.50%                | 5.50%   |
| <b>Non US Equity</b>    | <b>17.50%</b>        |   |
| International Developed | 12.50%               | 6.50%   |
| Emerging Markets        | 5.00%                | 7.25%   |
| Global Bonds            | 4.00%                | 3.00%   |
| <b>Credit Fixed</b>     | <b>24.00%</b>        |   |
| Global IG Credit        | 2.00%                | 3.75%   |
| High Yield              | 7.00%                | 5.50%   |
| EMD                     | 5.00%                | 6.00%   |
| Illiquid Private        | 10.00%               | 8.50%   |
| <b>Private Equity</b>   | <b>10.00%</b>        | 6.50%   |
| <b>Real Estate</b>      | <b>5.00%</b>         | 9.00%   |
| <b>Absolute Return</b>  | <b>10.00%</b>        | 5.00%   |
| <b>Real Return</b>      | <b>10.00%</b>        | 7.00%   |
| <b>Cash</b>             | <b>2.00%</b>         | 1.50%   |
| Total                   | 100%                 | 6.09%   |

*Discount rate* – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of CERS 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 rate selected, 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 rates.

|  | 1% Decrease<br>5.25% | Current Discount Rate<br>6.25% | 1% Increase<br>7.25% |
|--|----------------------|--------------------------------|----------------------|
| CERS<br>District's proportionate share<br>of net pension liability | \$ 10,434,566        | \$ 8,288,661                   | \$ 6,490,769         |

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

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**Teachers' Retirement System of the State of Kentucky (TRS)**

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

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

1. Attain age 55 and complete five years of Kentucky service, or
2. Complete 27 years of Kentucky service

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of the final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% 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 members hired on or after that date.

Final average salary is defined as the member's five highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested members at the rate of 60% 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 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

*Contributions* – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System. University members are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 8.185% of their salary to TRS.

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The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% for 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 years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At June 30, 2019, the District did not report a liability for the District's proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District.

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability for TRS 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, 2018, the District's proportion was 0.00%.

For the year ended June 30, 2019, the District did not recognize pension expense related to TRS. At June 30, 2019, the District did not report deferred outflows of resources or deferred inflows of resources related to pensions.

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

|   |              |
|---|--------------|
| Inflation   | 3.00%        |
| Projected salary increases  | 3.50 – 7.30% |
| Investment rate of return, net of<br>investment expense and inflation | 7.50%        |
| Municipal bond index rate   | 3.56%        |
| Single equivalent interest rate                                       | 4.49%        |

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the Board on November 19, 2016.

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 estimate of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

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| Asset Class             | Target<br>Allocation | Long-Term<br>Expected<br>Real Rate of<br>Return |
|-------------------------|----------------------|---|
| U.S. Equity             | 40%                  | 4.2%  |
| International Equity    | 22%                  | 5.2%  |
| Fixed Income            | 15%                  | 1.2%  |
| Additional Categories * | 8%                   | 3.3%  |
| Real Estate             | 6%                   | 3.8%  |
| Private Equity          | 7%                   | 6.3%  |
| Cash                    | 2%                   | 0.9%  |
|                         | 100%                 |   |

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

*Discount rate* –The discount rate used to measure the total pension liability as of the measurement date was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at 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 2038 plan year and, as a result the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). There was a change in the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB 68, the SEIR at the measurement date of 4.49% was calculated using the Municipal Bond Index Rate as of the measurement date (3.56%). This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 68.

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

## **B. Other Post-Employment Benefits**

### **County Employee's 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 plan. CERS is administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provision of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and 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. To be eligible for medical benefits, the member must have retired either for service or disability. Benefits are grouped into three tiers, based on participation dates.

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Tier 1 participation began before July 1, 2003. Members are eligible for benefits if they are the recipient of a retirement allowance. The percentage of the member premium paid by the retirement system is based on the number of years of service as indicated below:

|                   |      |
|-------------------|------|
| Less than 4 years | 0%   |
| 4-9 years         | 25%  |
| 10-14 years       | 50%  |
| 15-19 years       | 75%  |
| 20 or more years  | 100% |

Tier 2 participation began on or after July 1, 2003, but before September 1, 2008. Members are eligible for benefits if they are the recipient of a retirement allowance with at least 120 months of service at retirement. The retirement system provides a monthly contribution of \$10 for each year of earned service. The monthly contribution is increased by 1.5% each July. As of July 1, 2016, the monthly contribution was \$12.99/year of service.

Tier 3 participation began on or after September 1, 2008. Benefits are identical to Tier 2, except Tier 3 members are required to have at least 180 months of service in order to be eligible.

*Contributions* – Required contributions by the employee are based on the tier. Tier 1 members contribute 0% of gross salary. Tier 2 and 3 members both contribute 1% of gross salary.

Employer contributions rates for the fiscal year were adopted by the Board of KRS based on actuarially recommend rates. The District's contributions for the year ended June 30, 2019, were \$170,615.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs* – At June 30, 2019, the District reported a liability of \$2,416,251 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB was determined by an actuarial valuation as of June 30, 2017 and rolled-forward using general accepted actuarial principles. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the District's proportion was 0.136090%, a decrease of 0.002649% from its proportion measured at June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$298,224. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ -  | \$ 281,582                                   |
| Changes of assumptions  | 482,561                                       | 5,583  |
| Net difference between projected and actual earnings on pension plan investments                              | -   | 166,432                                      |
| Changes in proportion and differences between District contributions and proportionate share of contributions | -   | 51,927                                       |
| Contributions subsequent to the measurement date  | 170,615                                       | -  |
| Implicit subsidy  | 38,979  | -  |
|   | <u>\$ 692,155</u>                             | <u>\$ 505,524</u>                            |

Deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and implicit subsidy will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follow:

| <u>Year ended June 30:</u> |            |
|----------------------------|------------|
| 2019                       | \$ (1,433) |
| 2020                       | (1,433)    |
| 2021                       | (1,433)    |
| 2022                       | 30,891     |
| 2023                       | (31,004)   |
| Thereafter                 | (18,551)   |

*Actuarial methods and assumptions* – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |   |
|--|---|
| Inflation rate   | 3.00%   |
| Payroll growth rate  | 0.50%   |
| Wage inflation   | 3.50%   |
| Salary increases   | 3.50% - 7.20%   |
| Investment rate of return, net of investment expense and inflation | 8.00%   |
| Long-term municipal bond rate                                      | 3.89%   |
| Healthcare trend rates   |   |
| Pre-65   | Initial trend starting at 7.75% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 5.00% by 2024 |
| Post-65  | Initial trend starting at 5.75% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 5.00% by 2021 |



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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.

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

| Asset Class             | Target<br>Allocation | Long-Term<br>Expected<br>Real Rate of<br>Return |
|-------------------------|----------------------|---|
| <b>US Equity</b>        | <b>17.50%</b>        |   |
| US Large Cap            | 5.00%                | 4.50%   |
| US Mid Cap              | 6.00%                | 4.50%   |
| US Small Cap            | 6.50%                | 5.50%   |
| <b>Non US Equity</b>    | <b>17.50%</b>        |   |
| International Developed | 12.50%               | 6.50%   |
| Emerging Markets        | 5.00%                | 7.25%   |
| <b>Global Bonds</b>     | <b>4.00%</b>         | 3.00%   |
| <b>Credit Fixed</b>     | <b>24.00%</b>        |   |
| Global IG Credit        | 2.00%                | 3.75%   |
| High Yield              | 7.00%                | 5.50%   |
| EMD                     | 5.00%                | 6.00%   |
| Illiquid Private        | 10.00%               | 8.50%   |
| <b>Private Equity</b>   | <b>10.00%</b>        | 6.50%   |
| <b>Real Estate</b>      | <b>5.00%</b>         | 9.00%   |
| <b>Absolute Return</b>  | <b>10.00%</b>        | 5.00%   |
| <b>Real Return</b>      | <b>10.00%</b>        | 7.00%   |
| <b>Cash</b>             | <b>2.00%</b>         | 1.50%   |
| <b>Total</b>            | <b>100%</b>          | <b>6.09%</b>                                    |

*Discount Rate* – The projection of cash flows used to determine the discount rate of 5.85% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018.

The following table presents the District's proportionate share of the collective net OPEB liability, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rates.

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|   | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|------------------------------|--------------------|
| CERS  | 4.85%              | 5.85%                        | 6.85%              |
| District's proportionate share<br>of net OPEB liability | \$ 3,183,323       | \$ 2,416,251                 | \$ 1,801,178       |

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

|   | <u>1% Decrease</u> | <u>Current Healthcare<br/>Cost Trend Rate</u> | <u>1% Increase</u> |
|---|--------------------|---|--------------------|
| District's proportionate share<br>of net OPEB liability | \$ 1,798,923       | \$ 2,416,251                                  | \$ 3,143,903       |

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

**Teachers' Retirement System of the State of Kentucky (TRS)**

*Plan description* – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

**Medical Insurance Plan**

*Plan description* – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

*Benefits provided* – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in

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excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

*Contributions* – In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. Three and three quarters percent is paid by member contributions and 0.75% from state appropriation and 3.00% from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The District's contributions to KTRS for the year ended June 30, 2019 were \$357,792.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – At June 30, 2019, the District reported a liability of \$7,199,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.207480%, a decrease of 0.007113%.

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

|  |                      |
|--|----------------------|
| District's proportionate share of the net OPEB liability                           | \$ 7,199,000         |
| State's proportionate share of the net OPEB liability associated with the District | <u>6,204,000</u>     |
| Total  | <u>\$ 13,403,000</u> |

For the year ended June 30, 2019, the District recognized OPEB expense of \$333,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ -  | \$ 15,576                                    |
| Changes of assumptions  | 53,173  | -  |
| Net difference between projected and actual earnings on pension plan investments                              | -   | 198,190                                      |
| Changes in proportion and differences between District contributions and proportionate share of contributions | -   | 116,014                                      |
| Contributions subsequent to the measurement date  | <u>357,792</u>                                | <u>-</u>                                     |
|   | <u>\$ 410,965</u>                             | <u>\$ 329,780</u>                            |

Of the total amount reported as deferred outflows of resources related to OPEB, \$357,792 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year

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will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

| <u>Year ended June 30:</u> |             |
|----------------------------|-------------|
| 2019                       | \$ (60,285) |
| 2020                       | (60,285)    |
| 2021                       | (60,285)    |
| 2022                       | (47,175)    |
| 2023                       | (48,577)    |

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

|                                 |  |
|---------------------------------|--|
| Investment rate of return       | 8.00%,   |
| Projected salary increases      | 3.50 – 7.20%   |
| Inflation rate                  | 3.00%  |
| Real Wage Growth                | 0.50%  |
| Wage Inflation                  | 3.50%  |
| Healthcare cost trend rates     |  |
| Under 65                        | 7.75% for fiscal year 2018 decreasing to an ultimate rate of 5.00% by fiscal year 2024 |
| Ages 65 and Older               | 5.75% for fiscal year 2018 decreasing to an ultimate rate of 5.00% by fiscal year 2021 |
| Medicare Part B Premiums        | 1.02% for fiscal year 2018 with an ultimate rate of 5.00% by 2030                      |
| Municipal Bond Index Rate       | 3.89%  |
| Discount Rate                   | 8.00%  |
| Single Equivalent Interest Rate | 8.00%  |

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

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

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table.

| Asset Class                 | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|-----------------------------|-------------------|--|
| Global equity               | 58.0%             | 4.6%   |
| Fixed Income                | 9.0%              | 1.2%   |
| Real estate                 | 5.5%              | 3.8%   |
| Private equity              | 6.5%              | 6.3%   |
| Other Additional categories | 20.0%             | 3.3%   |
| Cash (LIBOR)                | 1.0%              | 0.9%   |
|                             | 100%              |  |

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

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

|  | 1% Decrease  | Current Discount Rate | 1% Increase  |
|--|--------------|-----------------------|--------------|
|  | 7.00%        | 8.00%                 | 9.00%        |
| District's proportionate share of net OPEB liability | \$ 8,442,000 | \$ 7,199,000          | \$ 6,164,000 |

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

|  | 1% Decrease  | Current Healthcare Cost Trend Rate | 1% Increase  |
|--|--------------|------------------------------------|--------------|
| District's proportionate share of net OPEB liability | \$ 5,969,000 | \$ 7,199,000                       | \$ 8,716,000 |

**CALLOWAY COUNTY SCHOOL DISTRICT  
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June 30, 2019

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

***Life Insurance Plan***

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

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

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

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – At June 30, 2019, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

|  |                   |
|--|-------------------|
| District's proportionate share of the net OPEB liability                           | \$ -              |
| State's proportionate share of the net OPEB liability associated with the District | <u>106,000</u>    |
| Total  | <u>\$ 106,000</u> |

For the year ended June 30, 2019, the District did not recognize OPEB expense related to TRS. At June 30, 2019, the District did not report deferred outflows of resources or deferred inflows of resources related to OPEB.

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability for TRS 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, 2018, the District's proportion was 0.00%.

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

**CALLOWAY COUNTY SCHOOL DISTRICT  
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|                                 |  |
|---------------------------------|--|
| Investment rate of return       | 7.50%,   |
| Projected salary increases      | 3.50 – 7.20%   |
| Inflation rate                  | 3.00%  |
| Real Wage Growth                | 0.50%  |
| Wage Inflation                  | 3.50%  |
| Healthcare cost trend rates     |  |
| Under 65                        | 7.75% for fiscal year 2018 decreasing to an ultimate rate of 5.00% by fiscal year 2024 |
| Ages 65 and Older               | 5.75% for fiscal year 2018 decreasing to an ultimate rate of 5.00% by fiscal year 2021 |
| Medicare Part B Premiums        | 1.02% for fiscal year 2018 with an ultimate rate of 5.00% by 2030                      |
| Municipal Bond Index Rate       | 3.89%  |
| Discount Rate                   | 7.50%  |
| Single Equivalent Interest Rate | 7.50%  |

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

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

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

**CALLOWAY COUNTY SCHOOL DISTRICT  
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| Asset Class                 | Target<br>Allocation | 30 Year<br>Expected<br>Geometric<br>Real Rate of<br>Return |
|-----------------------------|----------------------|--|
| U.S. Equity                 | 40.0%                | 4.2%   |
| International Equity        | 23.0%                | 5.2%   |
| Fixed Income                | 18.0%                | 1.2%   |
| Real Estate                 | 6.0%                 | 3.8%   |
| Private Equity              | 5.0%                 | 6.3%   |
| Other Additional Categories | 6.0%                 | 3.3%   |
| Cash (LIBOR)                | 2.0%                 | 0.9%   |
|                             | 100%                 |  |

\*As the LIF investment policy is to change, the above table reflects the pension allocation and returns that achieve the targeted 7.50% long-term rate of return.

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

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

**C. Contingencies and Commitments**

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of cash advances, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**D. 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 which include worker's compensation insurance.



**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

**E. Litigation**

The Board's legal counsel has advised that the District is not subject to any litigation or unasserted claims as of June 30, 2019.

**F. 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. The District purchases general and auto liability, physical damage insurance, errors and omissions, and general liability coverage from Wright Risk Management. The District purchases worker's compensation insurance through Kentucky Employers' Mutual Insurance. The District pays an annual premium to each fund for coverage.

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 three fiscal years.

**G. COBRA**

All terminated employees have been notified of available continuing insurance coverage as mandated under COBRA.

**H. Joint Venture**

On February 11, 2010 the District entered into a joint venture agreement with the Murray Independent School District. The agreement stipulates that Murray Independent School District fund the joint venture from SEEK monies released by Calloway County School District for nonresident pupils. These funds were used to build and operate a 21<sup>st</sup> Century, state of the art, Career Technical Center for the benefit of students from both districts.

The operations are controlled by the board, which is comprised of representative from each District. The District's interest in this joint venture is accounted for using the equity method. The District's equity interest represents its explicit, measurable right to the net present or future resources of the joint venture. Under this method, the District records its share of the joint venture's net income or loss for each period. For additional financial information regarding the joint venture, contact Murray Independent School District (270.753.4363) or by mail at 208 South 13<sup>th</sup> Street, Murray, KY 42071.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND**  
For the Year Ended June 30, 2019

|  | <b>Budgeted Amounts</b> |                    | <b>Actual</b>            | <b>Variance with</b>                    |
|--|-------------------------|--------------------|--------------------------|---|
|  | <b>Original</b>         | <b>Final</b>       | <b>(Budgetary Basis)</b> | <b>Final Budget (Positive Negative)</b> |
| <b>Revenues</b>                                |                         |                    |                          |   |
| From local sources                             |                         |                    |                          |   |
| Taxes  |                         |                    |                          |   |
| Property                                       | \$ 6,620,000            | \$ 6,620,000       | \$ 6,578,982             | \$ (41,018)                             |
| Motor vehicle                                  | 1,100,000               | 1,100,000          | 1,218,402                | 118,402                                 |
| Utilities                                      | 1,500,000               | 1,500,000          | 1,482,570                | (17,430)                                |
| Other  | 250,000                 | 250,000            | 315,889                  | 65,889                                  |
| Earnings on investments                        | 164,814                 | 164,814            | 252,345                  | 87,531                                  |
| Indirect cost reimbursements                   | -                       | -                  | 162,712                  | 162,712                                 |
| Other local revenues                           | 96,000                  | 96,000             | 221,577                  | 125,577                                 |
| Intergovernmental - State                      | 14,604,000              | 14,616,980         | 16,073,288               | 1,456,308                               |
| Intergovernmental - Indirect Federal           | 30,000                  | 30,000             | 26,643                   | (3,357)                                 |
| Total revenues                                 | <u>24,364,814</u>       | <u>24,377,794</u>  | <u>26,332,408</u>        | <u>1,954,614</u>                        |
| <b>Expenditures</b>                            |                         |                    |                          |   |
| Current  |                         |                    |                          |   |
| Instruction                                    | 15,186,961              | 15,304,314         | 16,019,253               | (714,939)                               |
| Support Services                               |                         |                    |                          |   |
| Student  | 1,116,495               | 1,116,495          | 1,013,413                | 103,082                                 |
| Instructional staff                            | 1,111,284               | 1,111,284          | 1,138,269                | (26,985)                                |
| District administration                        | 1,084,000               | 1,084,000          | 776,566                  | 307,434                                 |
| School administration                          | 1,414,935               | 1,414,935          | 1,495,109                | (80,174)                                |
| Business                                       | 728,825                 | 728,825            | 676,198                  | 52,627                                  |
| Plant operation and management                 | 6,011,000               | 6,011,000          | 2,371,794                | 3,639,206                               |
| Student transportation                         | 1,931,500               | 1,931,500          | 1,576,095                | 355,405                                 |
| Contingency                                    | 2,500,000               | 2,500,000          | -                        | 2,500,000                               |
| Total expenditures                             | <u>31,085,000</u>       | <u>31,202,353</u>  | <u>25,066,697</u>        | <u>6,135,656</u>                        |
| Excess (deficit) of revenues over expenditures | <u>(6,720,186)</u>      | <u>(6,824,559)</u> | <u>1,265,711</u>         | <u>8,090,270</u>                        |
| <b>Other Financing Sources (Uses)</b>          |                         |                    |                          |   |
| Gain (loss) on sale of assets                  | -                       | -                  | 268,759                  | 268,759                                 |
| Transfers in                                   | 135,186                 | 137,129            | -                        | (137,129)                               |
| Transfers out                                  | (315,000)               | (315,000)          | (310,552)                | 4,448                                   |
| Total other financing sources (uses)           | <u>(179,814)</u>        | <u>(177,871)</u>   | <u>(41,793)</u>          | <u>136,078</u>                          |
| <b>Net change in fund balances</b>             | <b>(6,900,000)</b>      | <b>(7,002,430)</b> | <b>1,223,918</b>         | <b>8,226,348</b>                        |
| Fund balances, beginning of year               | <u>6,900,000</u>        | <u>7,002,430</u>   | <u>7,472,484</u>         | <u>470,054</u>                          |
| Fund balances, end of year                     | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ 8,696,402</u>      | <u>\$ 8,696,402</u>                     |

See independent auditor's report.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2019

|                                       | <b>Budgeted Amounts</b> |                    | <b>Actual</b>            | <b>Variance with</b>                    |
|---------------------------------------|-------------------------|--------------------|--------------------------|---|
|                                       | <b>Original</b>         | <b>Final</b>       | <b>(Budgetary Basis)</b> | <b>Final Budget (Positive Negative)</b> |
| <b>Revenues</b>                       |                         |                    |                          |   |
| From local sources                    |                         |                    |                          |   |
| Earnings on investments               | \$ 15,000               | \$ 15,000          | \$ -                     | \$ (15,000)                             |
| Other local revenues                  | 230,000                 | 230,000            | 231,661                  | 1,661                                   |
| Intergovernmental - State             | 160,065                 | 160,065            | 1,451,272                | 1,291,207                               |
| Intergovernmental - Indirect Federal  | 1,717,000               | 1,717,000          | 2,735,386                | 1,018,386                               |
| Total revenues                        | <u>2,122,065</u>        | <u>2,122,065</u>   | <u>4,418,319</u>         | <u>2,296,254</u>                        |
| <b>Expenditures</b>                   |                         |                    |                          |   |
| Current                               |                         |                    |                          |   |
| Instruction                           | 727,220                 | 727,220            | 3,720,615                | (2,993,395)                             |
| Support Services                      |                         |                    |                          |   |
| Student                               | 259,030                 | 259,030            | 116,122                  | 142,908                                 |
| Instructional staff                   | 142,065                 | 142,065            | 87,383                   | 54,682                                  |
| District administration               | 6,900                   | 6,900              | -                        | 6,900                                   |
| School administration                 | 35,650                  | 35,650             | 12,046                   | 23,604                                  |
| Business                              | 48,770                  | 48,770             | 12,282                   | 36,488                                  |
| Plant operation and management        | 1,305,460               | 1,305,460          | 37,732                   | 1,267,728                               |
| Student transportation                | 49,000                  | 49,000             | 158,278                  | (109,278)                               |
| Non-instructional services            | 24,595                  | 24,595             | 279,353                  | (254,758)                               |
| Other                                 | 503,375                 | 503,375            | 49,867                   | 453,508                                 |
| Total expenditures                    | <u>3,102,065</u>        | <u>3,102,065</u>   | <u>4,473,678</u>         | <u>(1,371,613)</u>                      |
| Excess of revenues over expenditures  | <u>(980,000)</u>        | <u>(980,000)</u>   | <u>(55,359)</u>          | <u>924,641</u>                          |
| <b>Other Financing Sources (Uses)</b> |                         |                    |                          |   |
| Transfers in                          | -                       | -                  | 55,359                   | 55,359                                  |
| Transfers out                         | (100,000)               | (100,000)          | -                        | 100,000                                 |
| Total other financing sources (uses)  | <u>(100,000)</u>        | <u>(100,000)</u>   | <u>55,359</u>            | <u>155,359</u>                          |
| <b>Net change in fund balances</b>    | <b>(1,080,000)</b>      | <b>(1,080,000)</b> | <b>-</b>                 | <b>1,080,000</b>                        |
| Fund balances, beginning of year      | <u>1,080,000</u>        | <u>1,080,000</u>   | <u>-</u>                 | <u>(1,080,000)</u>                      |
| Fund balances, end of year            | <u>\$ -</u>             | <u>\$ -</u>        | <u>\$ -</u>              | <u>\$ -</u>                             |

See independent auditor's report.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY**  
**County Employee's Retirement System**  
Last Fiscal Years Ending June 30,

|   | <u>2018</u>         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| District's proportion of the net pension liability (asset)  | 0.136096%           | 0.138745%           | 0.15964%            | 0.15930%            | 0.16246%            |
| District's proportionate share of the net pension liability (asset)   | <u>\$ 8,288,661</u> | <u>\$ 8,121,171</u> | <u>\$ 7,860,121</u> | <u>\$ 6,849,144</u> | <u>\$ 5,270,868</u> |
| District's covered-employee payroll   | <u>\$ 3,388,890</u> | <u>\$ 3,393,287</u> | <u>\$ 3,817,066</u> | <u>\$ 3,728,876</u> | <u>\$ 3,740,315</u> |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 244.58%             | 239.33%             | 205.92%             | 183.68%             | 140.92%             |
| Plan fiduciary net position as a percentage of the total pension liability  | 53.54%              | 53.30%              | 55.50%              | 59.97%              | 66.80%              |

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS**  
**County Employee's Retirement System**  
Fiscal Years Ending June 30,

|  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution                                  | \$ 526,056   | \$ 490,735   | \$ 478,493   | \$ 472,653   | \$ 475,596   | \$ 513,936   |
| Contributions in relation to the contractually required contribution | \$ (526,056) | (490,735)    | (478,493)    | (472,653)    | (475,596)    | (513,936)    |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| District's covered employee payroll                                  | \$ 3,243,359 | \$ 3,388,890 | \$ 3,393,287 | \$ 3,817,066 | \$ 3,728,876 | \$ 3,740,315 |
| Contributions as a percentage of covered-employee payroll            | 16.22%       | 14.48%       | 14.10%       | 12.38%       | 12.75%       | 13.74%       |

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET OPEB LIABILITY**  
**County Employee's Retirement System**  
Last Fiscal Year Ending June 30,

|  | <u><b>2018</b></u>  | <u><b>2017</b></u>  |
|--|---------------------|---------------------|
| District's proportion of the net OPEB liability (asset)  | 0.136090%           | 0.138745%           |
| District's proportionate share of the net OPEB liability (asset)   | <u>\$ 2,416,251</u> | <u>\$ 2,789,249</u> |
| District's covered-employee payroll  | <u>\$ 3,388,890</u> | <u>\$ 3,393,287</u> |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 71.30%              | 82.20%              |
| Plan fiduciary net position as a percentage of the total OPEB liability  | 57.62%              | 52.40%              |

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS**  
**County Employee's Retirement System**  
Fiscal Years Ending June 30,

|  | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|---------------------|
| Contractually required contribution                                  | \$ 170,615          | \$ 159,245          | \$ 160,495          |
| Contributions in relation to the contractually required contribution | <u>(170,615)</u>    | <u>(159,245)</u>    | <u>(160,495)</u>    |
| Contribution deficiency (excess)                                     | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| District's covered employee payroll                                  | <u>\$ 3,243,359</u> | <u>\$ 3,388,890</u> | <u>\$ 3,393,287</u> |
| Contributions as a percentage of covered-employee payroll            | 5.26%               | 4.70%               | 4.73%               |

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.



**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF THE COMMONWEALTH OF KENTUCKY'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**SPECIAL FUNDING SITUATION**  
**Kentucky Teachers' Retirement System**  
Last Fiscal Years Ending June 30,

|   | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          | <u>2014</u>         |
|---|----------------------|----------------------|----------------------|----------------------|---------------------|
| District's proportion of the net pension liability (asset)  | 0.000%               | 0.000%               | 0.000%               | 0.000%               | 0.000%              |
| District's proportionate share of the net pension liability (asset)   | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                |
| State's proportionate share of the net pension liability (asset) associated with the District                       | <u>52,386,936</u>    | <u>109,163,279</u>   | <u>124,454,760</u>   | <u>100,030,883</u>   | <u>90,898,723</u>   |
| Total proportionate share of the net pension liability (asset)  | <u>\$52,386,936</u>  | <u>\$109,163,279</u> | <u>\$124,454,760</u> | <u>\$100,030,883</u> | <u>\$90,898,723</u> |
| District's covered-employee payroll   | <u>\$ 12,332,229</u> | <u>\$ 12,237,380</u> | <u>\$ 10,117,099</u> | <u>\$ 10,866,685</u> | <u>\$11,233,501</u> |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 0.00%                | 0.00%                | 0.00%                | 0.00%                | 0.00%               |
| Plan fiduciary net position as a percentage of the total pension liability  | 59.30%               | 39.83%               | 35.22%               | 42.49%               | 45.59%              |

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS**  
**Kentucky Teachers' Retirement System**  
Fiscal Years Ending June 30,

|  | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution                                  | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Contributions in relation to the contractually required contribution | -                    | -                    | -                    | -                    | -                    | -                    |
| Contribution deficiency (excess)                                     | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| District's covered employee payroll                                  | <u>\$ 11,926,426</u> | <u>\$ 12,332,229</u> | <u>\$ 12,237,380</u> | <u>\$ 10,117,099</u> | <u>\$ 10,866,685</u> | <u>\$ 11,233,501</u> |
| Contributions as a percentage of covered-employee payroll            | 0.00%                | 0.00%                | 0.00%                | 0.00%                | 0.00%                | 0.00%                |

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

*See independent auditor's report and notes to the required supplementary information.*

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET OPEB LIABILITY - MEDICAL INSURANCE FUND**  
**SPECIAL FUNDING SITUATION**  
**Kentucky Teachers' Retirement System**  
Last Fiscal Year Ending June 30,

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| District's proportion of the net OPEB liability (asset)  | 0.207480%            | 0.214593%            |
| District's proportionate share of the net OPEB liability (asset)   | \$ 7,199,000         | \$ 7,652,000         |
| State's proportionate share of the net OPEB liability (asset) associated with the District                       | <u>6,204,000</u>     | <u>6,251,000</u>     |
| Total proportionate share of the net OPEB liability (asset)  | <u>\$ 13,403,000</u> | <u>\$ 13,903,000</u> |
| District's covered-employee payroll  | <u>\$ 12,332,229</u> | <u>\$ 12,237,380</u> |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 58.38%               | 62.53%               |
| Plan fiduciary net position as a percentage of the total OPEB liability  | 25.50%               | 21.18%               |

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - MEDICAL INSURANCE FUND**  
**Kentucky Teachers' Retirement System**  
Fiscal Years Ending June 30,

|  | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|----------------------|
| Contractually required contribution                                  | \$ 357,792           | \$ 369,368           | \$ 367,658           |
| Contributions in relation to the contractually required contribution | <u>(357,792)</u>     | <u>(369,368)</u>     | <u>(367,658)</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| District's covered employee payroll                                  | <u>\$ 11,926,426</u> | <u>\$ 12,332,229</u> | <u>\$ 12,237,380</u> |
| Contributions as a percentage of covered-employee payroll            | 3.00%                | 3.00%                | 3.00%                |

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF THE COMMONWEALTH OF KENTUCKY'S PROPORTIONATE SHARE**  
**OF THE NET OPEB LIABILITY - LIFE INSURANCE FUND**  
**SPECIAL FUNDING SITUATION**  
**Kentucky Teachers' Retirement System**  
Last Fiscal Year Ending June 30,

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| District's proportion of the net OPEB liability (asset)  | 0.000%               | 0.000%               |
| District's proportionate share of the net OPEB liability (asset)   | \$ -                 | \$ -                 |
| State's proportionate share of the net OPEB liability (asset) associated with the District                       | <u>106,000</u>       | <u>84,000</u>        |
| Total proportionate share of the net OPEB liability (asset)  | <u>\$ 106,000</u>    | <u>\$ 84,000</u>     |
| District's covered-employee payroll  | <u>\$ 12,332,229</u> | <u>\$ 12,237,380</u> |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 0.86%                | 0.00%                |
| Plan fiduciary net position as a percentage of the total OPEB liability  | 75.00%               | 79.99%               |

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - LIFE INSURANCE FUND**  
**Kentucky Teachers' Retirement System**  
Fiscal Years Ending June 30,

|  | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|----------------------|
| Contractually required contribution                                  | \$ -                 | \$ -                 | \$ -                 |
| Contributions in relation to the contractually required contribution | <u>-</u>             | <u>-</u>             | <u>-</u>             |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| District's covered employee payroll                                  | <u>\$ 11,926,426</u> | <u>\$ 12,332,229</u> | <u>\$ 12,237,380</u> |
| Contributions as a percentage of covered-employee payroll            | 0.00%                | 0.00%                | 0.00%                |

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2019

**Retirement Plans**

**County Employees Retirement System**

*Changes of benefit terms* – The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2014: A cash balance plan was introduced for members who's participation date is on or after January 1, 2014.

*Changes of assumptions* – The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2016

- The assumed investment rate of return was decreased from 7.50% to 6.50%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.

2015

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- 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 1 year for females). For disabled members, the RP-2000 combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 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 Teachers' Retirement System**

*Changes of benefit terms* – None.

*Changes of assumptions* – The following changes were adopted by the Board of Trustees and reflected in the valuation performed as of June 30:

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2019

2016

In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the assumed salary scale, price inflation and wage inflation were adjusted to reflect a decrease.

2011

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.

**Other Post-Employment Benefits**

**County Employee's Retirement System**

*Changes of benefit terms* – None.

*Changes of assumptions* – The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2016

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- The single discount rate changed from 6.89% to 5.84%

**Kentucky Teachers Retirement System**

**Medical Insurance Plan**

*Changes of benefit terms* – The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2016: House Bill 471 restored the eligibility of non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

*Changes of assumptions* – None.

**Life Insurance Plan**

*Changes of benefit terms* – None.

*Changes of assumptions* – None.

*See independent auditor's report*



## **SUPPLEMENTARY AND OTHER INFORMATION SECTION**

**CALLOWAY COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2019**

|  | <u>District<br/>Activity<br/>Fund</u> | <u>Capital<br/>Outlay<br/>Fund</u> | <u>Building<br/>Fund</u> | <u>Construction<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|--|---------------------------------------|------------------------------------|--------------------------|------------------------------|--|
| <b>Assets</b>                              |                                       |                                    |                          |                              |  |
| Cash and cash equivalents                  | \$ 162,137                            | \$ 226,971                         | \$ 60,044                | \$ 33,448                    | \$ 482,600   |
| Receivables                                |                                       |                                    |                          |                              |  |
| Accounts                                   | -                                     | -                                  | -                        | -                            | -  |
| <b>Total assets</b>                        | <b>\$ 162,137</b>                     | <b>\$ 226,971</b>                  | <b>\$ 60,044</b>         | <b>\$ 33,448</b>             | <b>\$ 482,600</b>                                    |
| <b>Liabilities and Fund Balances</b>       |                                       |                                    |                          |                              |  |
| <b>Liabilities</b>                         |                                       |                                    |                          |                              |  |
| Accounts payable                           | \$ -                                  | \$ -                               | \$ -                     | \$ -                         | \$ -   |
| <b>Total liabilities</b>                   | <b>-</b>                              | <b>-</b>                           | <b>-</b>                 | <b>-</b>                     | <b>-</b>   |
| <b>Fund Balances</b>                       |                                       |                                    |                          |                              |  |
| Restricted                                 | 162,137                               | 226,971                            | 60,044                   | 33,448                       | 482,600  |
| <b>Total fund balances</b>                 | <b>162,137</b>                        | <b>226,971</b>                     | <b>60,044</b>            | <b>33,448</b>                | <b>482,600</b>                                       |
| <b>Total liabilities and fund balances</b> | <b>\$ 162,137</b>                     | <b>\$ 226,971</b>                  | <b>\$ 60,044</b>         | <b>\$ 33,448</b>             | <b>\$ 482,600</b>                                    |

*See independent auditor's report.*

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2019

|   | <u>District<br/>Activity<br/>Fund</u> | <u>Capital<br/>Outlay<br/>Fund</u> | <u>Building<br/>Fund</u> | <u>Construction<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|---|---------------------------------------|------------------------------------|--------------------------|------------------------------|--|
| <b>Revenues</b>                         |                                       |                                    |                          |                              |  |
| From local sources                      |                                       |                                    |                          |                              |  |
| Taxes                                   |                                       |                                    |                          |                              |  |
| Property                                | \$ -                                  | \$ -                               | \$ 972,931               | \$ -                         | \$ 972,931   |
| Earnings on investments                 | -                                     | 3,532                              | 9,160                    | 1,170                        | 13,862   |
| Other local revenues                    | 109,019                               | -                                  | -                        | -                            | 109,019  |
| Intergovernmental - State               | -                                     | 263,609                            | 126,319                  | -                            | 389,928  |
| Total revenues                          | <u>109,019</u>                        | <u>267,141</u>                     | <u>1,108,410</u>         | <u>1,170</u>                 | <u>1,485,740</u>                                     |
| <b>Expenditures</b>                     |                                       |                                    |                          |                              |  |
| Current                                 |                                       |                                    |                          |                              |  |
| Instruction                             | 82,360                                | -                                  | -                        | -                            | 82,360   |
| Support Services                        |                                       |                                    |                          |                              |  |
| Student                                 | 2,493                                 | -                                  | -                        | -                            | 2,493  |
| Instructional staff                     | 12,571                                | -                                  | -                        | -                            | 12,571   |
| Plant operation and management          | 130                                   | -                                  | -                        | -                            | 130  |
| Student transportation                  | 259                                   | -                                  | -                        | -                            | 259  |
| Facilities acquisition and construction | -                                     | -                                  | -                        | 4,738                        | 4,738  |
| Total expenditures                      | <u>97,813</u>                         | <u>-</u>                           | <u>-</u>                 | <u>4,738</u>                 | <u>102,551</u>                                       |
| Excess of revenues over expenditures    | <u>11,206</u>                         | <u>267,141</u>                     | <u>1,108,410</u>         | <u>(3,568)</u>               | <u>1,383,189</u>                                     |
| <b>Other Financing Sources (Uses)</b>   |                                       |                                    |                          |                              |  |
| Loss on disposition                     | -                                     | -                                  | -                        | (8,312)                      | (8,312)  |
| Transfers out                           | -                                     | (48,841)                           | (1,048,366)              | -                            | (1,097,207)  |
| Total other financing sources (uses)    | <u>-</u>                              | <u>(48,841)</u>                    | <u>(1,048,366)</u>       | <u>(8,312)</u>               | <u>(1,105,519)</u>                                   |
| <b>Net change in fund balances</b>      | <b>11,206</b>                         | <b>218,300</b>                     | <b>60,044</b>            | <b>(11,880)</b>              | <b>277,670</b>                                       |
| Fund balances, beginning of year        | <u>150,931</u>                        | <u>8,671</u>                       | <u>-</u>                 | <u>45,328</u>                | <u>204,930</u>                                       |
| Fund balances, end of year              | <u>\$ 162,137</u>                     | <u>\$ 226,971</u>                  | <u>\$ 60,044</u>         | <u>\$ 33,448</u>             | <u>\$ 482,600</u>                                    |

See independent auditor's report.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES AND EXPENDITURES**  
**AGENCY FUNDS**  
For the Year Ended June 30, 2019

| <u>Fund</u>                         | <u>July 1, 2018</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>June 30, 2019</u> |
|-------------------------------------|---------------------|-----------------|---------------------|----------------------|
| <b>Activity Funds</b>               |                     |                 |                     |                      |
| <b>Calloway County High School:</b> |                     |                 |                     |                      |
| BOE Sweep                           | \$ -                | \$ 61,071       | \$ 61,071           | \$ -                 |
| General                             | 9,881               | 76,153          | 86,034              | -                    |
| Guidance Office                     | 1,187               | 225             | 153                 | 1,259                |
| MSU Teachers Part.                  | 968                 | -               | 718                 | 250                  |
| Principals Discretionary            | 5,428               | 3,638           | 1,731               | 7,335                |
| Teachers Fund                       | 8                   | 492             | 372                 | 128                  |
| Vending Fund/Students               | 1,120               | 68              | 749                 | 439                  |
| Vending/Teachers Fund               | 144                 | 731             | 234                 | 641                  |
| Class of 2018                       | 2,178               | -               | 2,178               | -                    |
| Class of 2019                       | 1,054               | 5,000           | 4,754               | 1,300                |
| Col Cowan Scholarship               | 600                 | -               | -                   | 600                  |
| Homecoming Fund                     | 2,663               | 510             | 1,211               | 1,962                |
| Project Graduation                  | 511                 | 799             | 140                 | 1,170                |
| Sound System                        | 1,841               | -               | 1,841               | -                    |
| Student Activities                  | 2,982               | 8,601           | 3,484               | 8,099                |
| Academic Team                       | 5,208               | 7,983           | 9,409               | 3,782                |
| Applied Voco                        | 1,678               | 765             | 1,208               | 1,235                |
| Band                                | 911                 | 17,304          | 16,617              | 1,598                |
| Beta                                | 5,840               | 7,336           | 5,761               | 7,415                |
| Calloway Live TV                    | 1,394               | -               | 1,394               | -                    |
| Choir                               | 7,336               | 3,081           | 5,871               | 4,546                |
| Dance Team                          | 84                  | -               | -                   | 84                   |
| Drama Club                          | 515                 | -               | -                   | 515                  |
| FBLA                                | 1,749               | 50,971          | 52,411              | 309                  |
| FEA                                 | 914                 | 20              | 81                  | 853                  |
| FFA                                 | 7,246               | 19,523          | 25,918              | 851                  |
| FCCLA                               | 326                 | -               | -                   | 326                  |
| FC4A                                | 663                 | 900             | -                   | 1,563                |
| Horticulture Club                   | 9,224               | 2,688           | 6,637               | 5,275                |
| Journalism                          | 10,828              | 7,313           | 4,203               | 13,938               |
| KYA                                 | 555                 | -               | 125                 | 430                  |
| National Art Honor Soc              | 710                 | 175             | 802                 | 83                   |
| National Science                    | 1,157               | 190             | 70                  | 1,277                |
| Pep Club                            | 169                 | -               | -                   | 169                  |
| Robotics Team                       | 3,500               | 5,675           | 5,173               | 4,002                |
| Spanish Club                        | 1,745               | 860             | 830                 | 1,775                |
| Speech Team                         | 5,591               | 5,259           | 7,916               | 2,934                |
| Swim Team Fund                      | 816                 | -               | -                   | 816                  |
| Student Council                     | 745                 | 540             | 409                 | 876                  |

See independent auditor's report.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES AND EXPENDITURES**  
**AGENCY FUNDS**  
For the Year Ended June 30, 2019

| <b>Fund</b>  | <b>July 1, 2018</b> | <b>Revenues</b>   | <b>Expenditures</b> | <b>June 30, 2019</b> |
|--|---------------------|-------------------|---------------------|----------------------|
| Tech Ed Vinyl                                      | \$ 951              | \$ 2,912          | \$ 2,343            | \$ 1,520             |
| TSA Club   | -                   | 300               | 250                 | 50                   |
| Yearbook   | 12,683              | 16,713            | 16,215              | 13,181               |
| Youth Service Center                               | 3,783               | 7,496             | 6,828               | 4,451                |
| Youth Service / CCCL                               | 927                 | 1,722             | 642                 | 2,007                |
| Archery  | 1,394               | 13,066            | 9,163               | 5,297                |
| Athletic Miscellaneous                             | 28,361              | 13,033            | 30,049              | 11,345               |
| Athletic Pass                                      | 6,735               | 4,236             | 10,911              | 60                   |
| Baseball   | 2,532               | 16,146            | 15,699              | 2,979                |
| Bass Fishing Team                                  | 769                 | 3,975             | 3,418               | 1,326                |
| Boys Basketball                                    | 44                  | 17,864            | 14,462              | 3,446                |
| Boys Little League BB                              | 8                   | -                 | 8                   | -                    |
| Boys Soccer  | 6,154               | 9,269             | 10,465              | 4,958                |
| B/G Cross Country                                  | 4,902               | 9,512             | 10,163              | 4,251                |
| B/G Tennis   | 3,036               | 6,476             | 4,926               | 4,586                |
| B/G Track  | 492                 | 15,550            | 14,096              | 1,946                |
| Chair Seats  | -                   | 7,880             | 7,880               | -                    |
| Cheerleaders                                       | 3,206               | 14,429            | 17,473              | 162                  |
| Football   | 1,675               | 47,513            | 36,152              | 13,036               |
| Girls Basketball                                   | 24,546              | 27,538            | 30,781              | 21,303               |
| Girls Soccer                                       | 2,372               | 10,221            | 6,156               | 6,437                |
| Girls Softball                                     | 3,450               | 7,035             | 8,891               | 1,594                |
| Golf   | 1,249               | 4,000             | 2,192               | 3,057                |
| Volleyball   | 3,004               | 15,660            | 11,017              | 7,647                |
| Wrestling  | 3,213               | 7,189             | 7,010               | 3,392                |
| District Tour Sponsorship                          | -                   | 18,750            | 18,750              | -                    |
| District Tournament                                | -                   | -                 | 1,745               | -                    |
| State Tournament                                   | -                   | 6,390             | 6,390               | -                    |
|  | <u>214,955</u>      | <u>592,746</u>    | <u>613,580</u>      | <u>195,866</u>       |
| <b>Total Calloway County High School</b>           | 214,955             | 592,746           | 613,580             | 195,866              |
| <b>Calloway County Middle School</b>               | 65,374              | 143,473           | 128,333             | 80,514               |
| <b>North Calloway County Elementary School</b>     | 11,895              | 23,429            | 22,266              | 13,058               |
| <b>East Calloway County Elementary School</b>      | 5,347               | 16,882            | 19,412              | 2,817                |
| <b>Southwest Calloway County Elementary School</b> | 14,946              | 31,328            | 23,291              | 22,983               |
| <b>Calloway County Preschool</b>                   | <u>8,555</u>        | <u>5,398</u>      | <u>4,330</u>        | <u>9,623</u>         |
| <b>Total activity funds</b>                        | 321,072             | 813,256           | 811,212             | 324,861              |
| <b>Fiscal Agent Funds</b>                          | <u>219,550</u>      | <u>2,448</u>      | <u>126,803</u>      | <u>95,195</u>        |
| <b>Total agency funds</b>                          | <u>\$ 540,622</u>   | <u>\$ 815,704</u> | <u>\$ 938,015</u>   | <u>\$ 420,056</u>    |

See independent auditor's report.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2019

| <b>Federal Grantor/Pass-Through Grantor/<br/>CFDA Program Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>MUNIS<br/>Account<br/>Number</b> | <b>Program or<br/>Award<br/>Amount</b> | <b>Expenditures</b> |
|---|------------------------------------|-------------------------------------|--|---------------------|
| <b>U.S. Department of Education</b>                                 |                                    |                                     |  |                     |
| Passed Through State Department of Education:                       |                                    |                                     |  |                     |
| Title I:  |                                    |                                     |  |                     |
| Title I Grants to Local Educational Agencies                        | 84.010                             | 220-4500-310D                       | \$ 223,447                             | \$ 216,250          |
| Title I Grants to Local Educational Agencies                        | 84.010                             | 220-4500-310DM                      | 6,470                                  | 6,470               |
| Title I Grants to Local Educational Agencies                        | 84.010                             | 220-4500-310E                       | 1,024,081                              | 811,137             |
| Title I Grants to Local Educational Agencies                        | 84.010                             | 220-4500-310EM                      | 10,348                                 | 5,321               |
| Title I Grants to Local Educational Agencies                        | 84.010                             | 220-4500-313D                       | 18,000                                 | 18,000              |
| Total Title I   |                                    |                                     | <u>1,282,346</u>                       | <u>1,057,178</u>    |
| Special Education Cluster:  |                                    |                                     |  |                     |
| Special Education Grants to States                                  | 84.027                             | 220-4500-337CP                      | 12,817                                 | 12,817              |
| Special Education Grants to States                                  | 84.027                             | 220-4500-337CR                      | 250,000                                | 250,000             |
| Special Education Grants to States                                  | 84.027                             | 220-4500-337D                       | 200,476                                | 200,476             |
| Special Education Grants to States                                  | 84.027                             | 220-4500-337E                       | 665,886                                | 432,062             |
|   |                                    | Sub-total                           | <u>1,129,179</u>                       | <u>895,355</u>      |
| Special Education_Preschool Grants                                  | 84.173                             | 220-4500-336D                       | 83,437                                 | 83,437              |
| Special Education_Preschool Grants                                  | 84.173                             | 220-4500-336E                       | 312,478                                | 248,193             |
| Special Education_Preschool Grants                                  | 84.173                             | 220-4500-343D                       | 942                                    | 730                 |
| Special Education_Preschool Grants                                  | 84.173                             | 220-4500-343E                       | 64,645                                 | 64,156              |
|   |                                    | Sub-total                           | <u>461,502</u>                         | <u>396,516</u>      |
| Total Special Education Cluster                                     |                                    |                                     | <u>1,590,681</u>                       | <u>1,291,871</u>    |
| Career and Technical Education - Basic Grants to States             | 84.048                             | 220-4500-348DA                      | 1,033                                  | 1,033               |
| Career and Technical Education - Basic Grants to States             | 84.048                             | 220-4500-348E                       | 27,027                                 | 27,027              |
|   |                                    |                                     | <u>28,060</u>                          | <u>28,060</u>       |
| Rural and Low Income Education                                      | 84.358B                            | 220-4500-350C                       | 5,186                                  | 5,186               |
| Rural and Low Income Education                                      | 84.358B                            | 220-4500-350D                       | 51,611                                 | 16,362              |
|   |                                    |                                     | <u>56,797</u>                          | <u>21,548</u>       |
| Supporting Effective Instruction State Grants                       | 84.367                             | 220-4500-401D                       | 50,168                                 | 50,168              |
| Supporting Effective Instruction State Grants                       | 84.367                             | 220-4500-401E                       | 163,739                                | 90,296              |
|   |                                    |                                     | <u>213,907</u>                         | <u>140,464</u>      |
| Total U.S. Department of Education                                  |                                    |                                     | <u>3,171,791</u>                       | <u>2,539,121</u>    |
| <b>U.S. Department of Agriculture</b>                               |                                    |                                     |  |                     |
| Passed Through State Department of Education:                       |                                    |                                     |  |                     |
| Child Nutrition Cluster:  |                                    |                                     |  |                     |
| School Breakfast Program  | 10.553                             | 510-4500                            | 570,528                                | 570,528             |
| National School Lunch Program - Donated Commodities                 | 10.555                             | 510-4950                            | 139,357                                | 139,357             |
| National School Lunch Program                                       | 10.555                             | 510-4500                            | 1,210,140                              | 1,210,140           |
| National Summer Food Service Program                                | 10.559                             | 510-4500                            | 27,190                                 | 27,190              |
| Total Child Nutrition Cluster                                       |                                    |                                     | <u>1,947,215</u>                       | <u>1,947,215</u>    |
| Child and Adult Care Food Program                                   | 10.558                             | 510-4700                            | 41,260                                 | 41,260              |
| Total U.S. Department of Agriculture                                |                                    |                                     | <u>1,988,475</u>                       | <u>1,988,475</u>    |

See independent auditor's report.  
The accompanying notes are an integral part of this schedule.

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2019

| <b>Federal Grantor/Pass-Through Grantor/<br/>CFDA Program Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>MUNIS<br/>Account<br/>Number</b> | <b>Program or<br/>Award<br/>Amount</b> | <b>Expenditures</b>        |
|---|------------------------------------|-------------------------------------|--|----------------------------|
| <b>U.S. Department of Health and Human Resources</b>                |                                    |                                     |  |                            |
| Passed Through Murray Independent Board of Education:               |                                    |                                     |  |                            |
| Head Start  | 93.600                             | 220-4700-655C                       | 146,221                                | 12,664                     |
| Head Start  | 93.600                             | 220-4700-655D                       | 142,793                                | 142,386                    |
| Total U.S. Department of Health & Human Services                    |                                    |                                     | <u>289,014</u>                         | <u>155,050</u>             |
| <b>Total Federal Awards</b>   |                                    |                                     | <b><u>\$ 5,449,280</u></b>             | <b><u>\$ 4,682,646</u></b> |

**Reconciliation of Expenditures of Federal Awards to Special Revenue Total Expenditures**

|   |                            |
|---|----------------------------|
| Total expenditures of Federal awards  | \$ 4,682,646               |
| Total expenditures of State and Local awards  | 1,779,507                  |
| Expenditure of Federal awards in the Food Service Fund  | <u>(1,988,475)</u>         |
| <b>Total expenditures as reported in the special revenue fund on statement of revenues,<br/>expenditures and changes in fund balance - governmental funds</b> | <b><u>\$ 4,473,678</u></b> |

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2019

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Calloway County School District under programs of the federal government for the year ended June 30, 2019. 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 the operations of Calloway County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Calloway County School District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than accounting principles general accepted in the United States of America. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE 3 – INDIRECT COST RATE**

Calloway County School District has not elected to use the 10-percent de minimis indirect rate allowed under the Uniform Guidance.

**NOTE 4 – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.



## **INTERNAL CONTROL AND COMPLIANCE SECTION**



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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards**

Kentucky State Committee for School District Audits  
Members of the Calloway County Board of Education  
Murray, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Calloway County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Calloway County School District's basic financial statements and have issued our report thereon dated October 25, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of Calloway County School District in a separate letter dated October 25, 2019, as required by the auditor's contract with the Kentucky Department of Education.

## **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.

*Alexander Thompson Arnold PLLC*

Murray, Kentucky  
October 25, 2019



## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required By the Uniform Guidance**

Kentucky State Committee for School District Audits  
Members of the Calloway County Board of Education  
Murray, Kentucky

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

We have audited Calloway County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Calloway County School District's major federal programs for the year ended June 30, 2019. Calloway County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

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

In our opinion, Calloway 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, 2019.

## Report on Internal Control Over Compliance

Management of Calloway County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Calloway County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Calloway County School District's internal control over compliance.

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

*Alexander Thompson Arnold PLLC*

Murray, Kentucky  
October 25, 2019

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2019

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

unmodified

Internal control over financial reporting:

Material weakness(es) identified?

       yes        x no

Significant deficiency(ies) identified?

       yes        x none reported

Noncompliance material to financial statements noted?

       yes        x no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

       yes        x no

Significant deficiency(ies) identified?

       yes        x none reported

Type of auditor's report issued on compliance for major federal programs:

unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

       yes        x no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Clusters

10.553, 10.555 & 10.559

Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

x yes       

**FINANCIAL STATEMENT FINDINGS**

None reported

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported

## **MANAGEMENT LETTER POINTS**





**Alexander Thompson Arnold PLLC**

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Tres Settle, Superintendent  
Calloway County Board of Education  
Murray, Kentucky

In planning and performing our audit of the financial statements of Calloway County School District as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effective of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses as well as matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 25, 2019, on the financial statements of Calloway County School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This communication is intended solely for the information and use of management of Calloway County School District and others within the District, and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

*Alexander Thompson Arnold PLLC*

Murray, Kentucky  
October 25, 2019

**CALLOWAY COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
June 30, 2019**

**MANAGEMENT LETTER POINTS**

- I. **Condition:** During Food Service inventory counts variances in quantities were noted.

**Criteria:** FNS 762.2, Rev. 4, Exhibit B

**Cause:** At year-end, select items were “transferred” out of schools for use in the Summer Feeding Program (SFP). However, only a portion of the items were physically transferred to the High School where the SFP is operated. It is not good practice to co-mingle inventory that is being accounted for in various locations. This resulted in difficulty tracing inventory counts as well as errors and confusion among personnel.

**Effect:** Noncompliance, existence of assets.

**Recommendation:** Each school within the District should store and control all food service inventory assigned to their school at their location.

**Response:** The District agrees with both the condition and the recommendation.

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
June 30, 2019

**FINANCIAL STATEMENT FINDINGS**

**SIGNIFICANT DEFICIENCY**

None reported

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER POINTS**  
June 30, 2019

**MANAGEMENT LETTER POINTS**

- I. **Condition:** A lack of segregation of duties related to user access within the District's MUNIS system. Certain users who authorize transactions and have custody of assets within the organization are also superusers of the MUNIS accounting software.

**Recommendation:** Superusers should not be granted the authority to authorize transactions.

**Current Status:** This condition has been resolved.