Todd County School District

Financial Statements

June 30, 2017

Todd County School District
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REPORT

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Independent Auditors' Report

Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, 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 the Todd County School District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2017, 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, and select pension information on pages 4 through 16 and 63 through 69 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 District's basic financial statements. The combining and individual nonmajor fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017 on our consideration of Todd County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, KY
November 10, 2017

FINANCIAL STATEMENTS

TODD COUNTY SCHOOL DISTRICT
ELKTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017

As management of the Todd County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning General Fund balance for the District was $4,362,911. The ending General Fund balance was $5,022,693.

- The beginning Special Revenue Fund balance for the District was $47,329. The ending Special Revenue Fund balance was $59,809.

- The beginning balance for Other Governmental Funds was $134,747. The ending balance for Other Governmental Funds was $529,462.

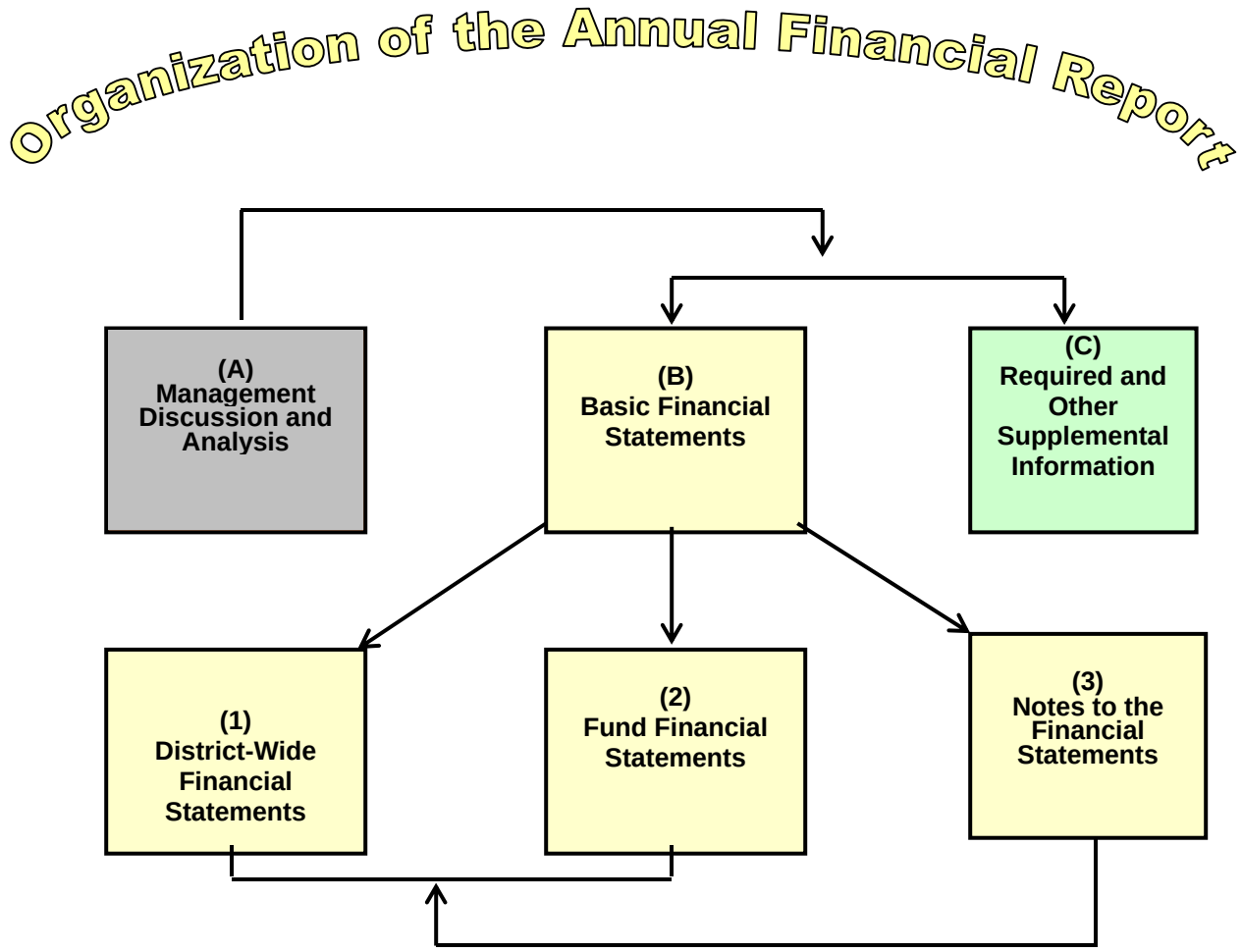
- Plant Operations and Maintenance expenses continue to decrease due to district wide repair and replacement of HVAC equipment. Expenses decreased $126,371 this year compared to last.

- Total general fund revenues increased $252,349. While local revenues increased $202,650, Intergovernmental - State Revenue decreased $201,494. This year we had Direct Federal revenue that largely consisted of funding provided from the E-Rate program to purchase wireless network equipment. The district paid 20% of the costs.

- During the year, we started a construction project to improve the HVAC systems in our buildings district wide. Funding sources came from two offers from the SFCC resulting in a $815,000 bond, unused cash balance in the building fund of $293,622 and $13,955 that had been restricted for SFCC purposes. We also used leftover construction project balances of $116,617. Due to the additional funds on hand for a big part of the year, interest income is up $14,668 from last year.

Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Todd County School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



The District-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the

short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 32 through 62 of this report.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during the current fiscal year?" The *Statement of Net Position* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky's SEEK funding formula and it's adjustments, the School District's property tax base, required educational programs and other factors.

In the Statement of Net Position and the Statements of Activities, the School District is divided into two distinct kinds of activities:

- Governmental Activities – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's School Nutrition Program is reported as business activities. These activities are funded through fees, federal grants, and federal

commodities.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $10,601,646 as of June 30, 2017. This was an increase of $887,003 over the previous year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The amount of capital assets, net of related debt was $10,343,430 (an increase of $453,416 over the previous year). 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.

Government-wide financial statements can be found on pages 17 through 20 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. 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. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are assets that belong to others. The school's activity funds are reported as fiduciary funds. The only proprietary fund is the school food fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Todd County School District are the general fund and the special revenue (grants) fund.

Governmental Funds — Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statements of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds — Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

Fiduciary Funds — The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District's fiduciary funds consist of student activities funds and the fiscal agent fund for English as a Second Language. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

The basic governmental fund financial statements can be found on pages 21 through 31 of this report.

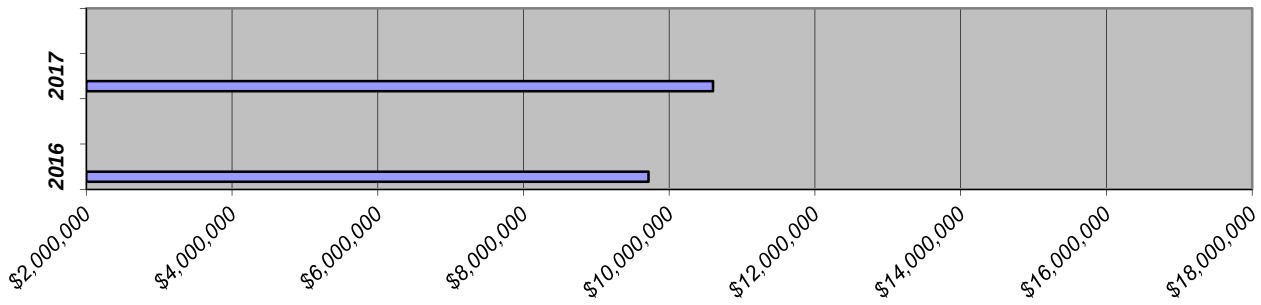
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position for the period ending June 30, 2016 and June 30, 2017

	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	2016-2017
Current and Other Assets	$4,803,495	$5,848,807	$427,994	$512,420	$5,231,489	$6,361,227	21.6%
Capital Assets	$25,639,071	$25,260,296	$297,312	$257,669	$25,936,383	$25,517,965	-1.6%
Total Assets	$30,442,566	$31,109,103	$725,306	$770,089	$31,167,872	$31,879,192	2.3%
Deferred Outflows of Resources	$1,369,076	$1,555,423	$135,570	$175,172	$1,504,646	$1,730,595	15.0%
Long Term Liabilities	$20,309,517	$20,093,743	$746,131	$801,856	$21,055,648	$20,895,599	-0.8%
Other Liabilities	$1,875,424	$1,974,520	$65	$65	$1,875,489	$1,974,585	5.3%
Total Liabilities	$22,184,941	$22,068,263	$746,196	$801,921	$22,931,137	$22,870,184	-0.3%
Deferred Inflows of Resources	$23,016	$119,253	$3,722	$18,704	$26,738	$137,957	416.0%
Net Position							
Investment in Capital Assets	$9,592,702	$10,085,761	$297,312	$257,669	$9,890,014	$10,343,430	4.6%
Restricted	$182,076	$187,339			$182,076	$187,339	2.9%
Unrestricted	-$171,093	$203,910	-$186,354	-$133,033	-$357,447	$70,877	-119.8%
Total Net Position	$9,603,685	$10,477,010	$110,958	$124,636	$9,714,643	$10,601,646	9.1%

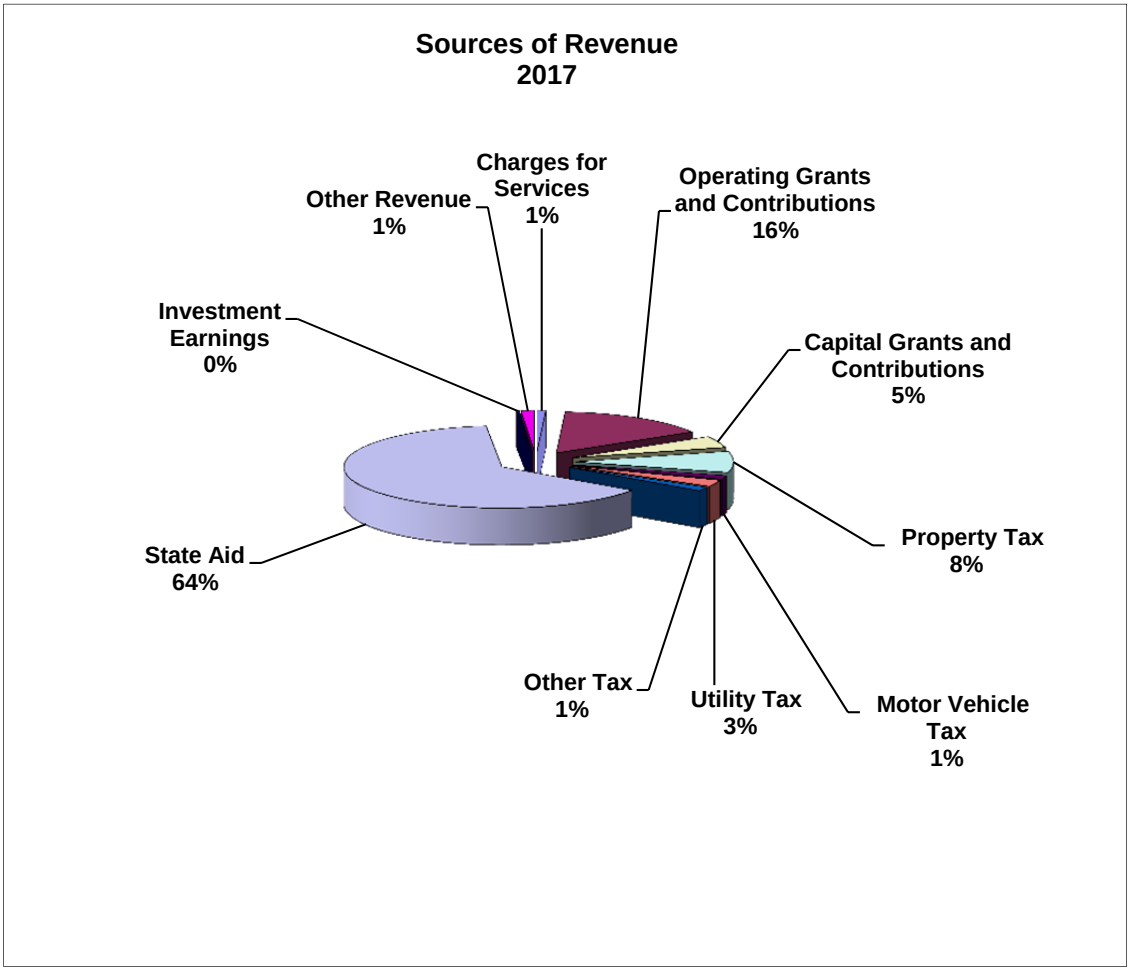
At year-end, assets exceeded liabilities by $10,601,646.

Todd County Net Position Increased by 9% or $887,003



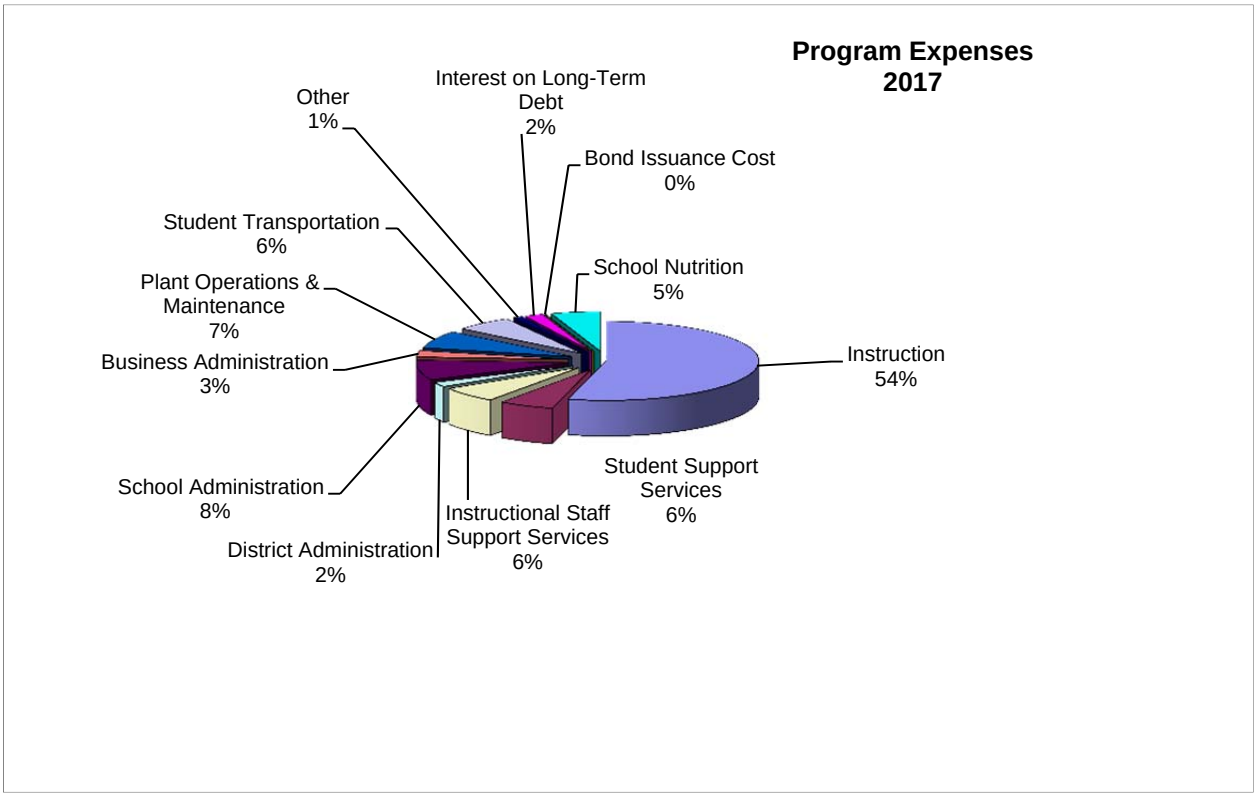
Changes in Net Position for June 30, 2016 and June 30, 2017

	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	2016-2017
Program Revenues							
Charges for Services	$19,020	$35,621	$206,944	$201,685	$225,964	$237,306	5.0%
Operating Grants and Contributions	$2,921,320	$2,941,767	$1,213,621	$1,210,089	$4,134,941	$4,151,856	0.4%
Capital Grants and Contributions	$1,176,241	$1,198,185			$1,176,241	$1,198,185	1.9%
General Revenue							
Taxes							
Property Tax	$2,038,900	$2,210,535			$2,038,900	$2,210,535	8.4%
Motor Vehicle Tax	$377,137	$390,507			$377,137	$390,507	3.5%
Utility Tax	$674,282	$681,904			$674,282	$681,904	1.1%
Other Tax	$309,258	$383,708			$309,258	$383,708	24.1%
State Aid	$14,625,035	$17,011,050			$14,625,035	$17,011,050	16.3%
Investment in Earnings	$40,503	$60,493	$3,851	$4,569	$44,354	$65,062	46.7%
Other Revenue	$271,895	$425,812	-$67,929	-$66,693	$203,966	$359,119	76.1%
Total Revenues	$22,453,591	$25,339,582	$1,356,487	$1,349,650	$23,810,078	$26,689,232	12.1%



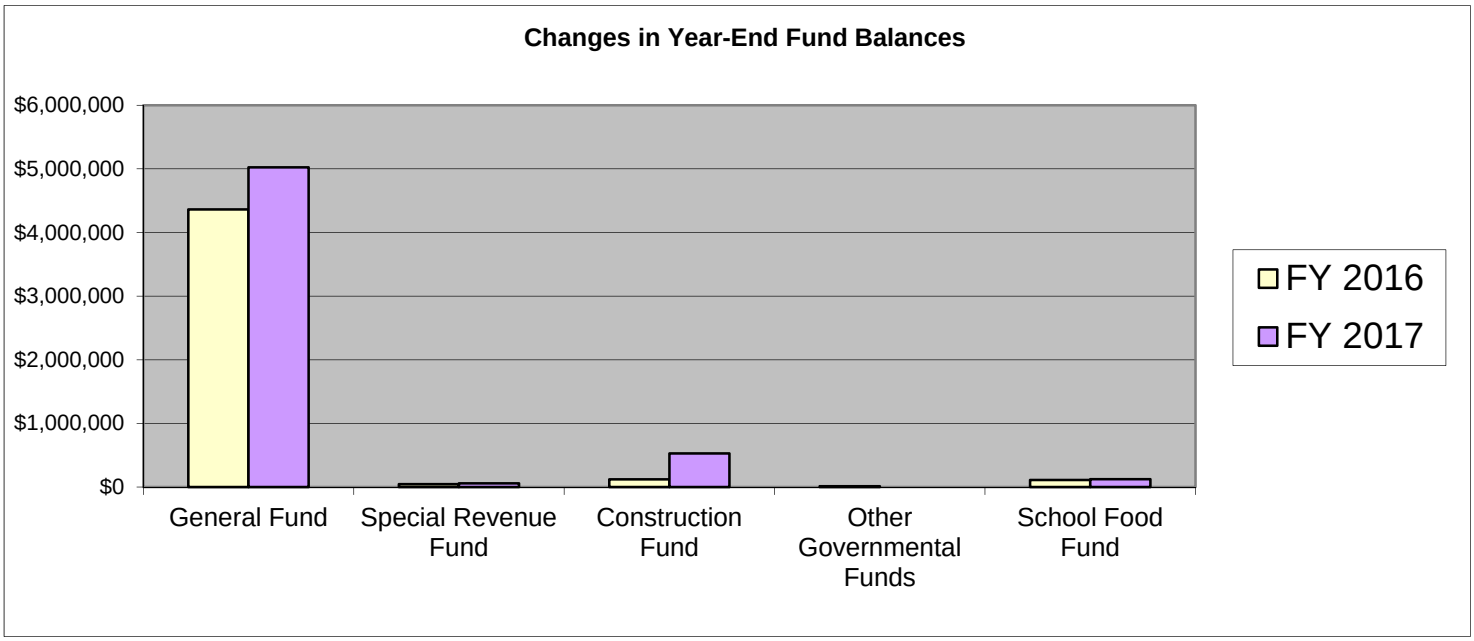
Expenses	Governemental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	**2016-2017**
Instruction	$12,214,226	$13,935,926			$12,214,226	$13,935,926	**14.1%**
Support Services							
Student Support Services	$1,243,507	$1,496,221			$1,243,507	$1,496,221	**20.3%**
Instructional Staff	$1,491,498	$1,619,266			$1,491,498	$1,619,266	**8.6%**
District Administration	$653,353	$476,072			$653,353	$476,072	**-27.1%**
School Administration	$1,740,170	$2,082,485			$1,740,170	$2,082,485	**19.7%**
Business Administration	$575,351	$661,896			$575,351	$661,896	**15.0%**
Plant Operations & Maintenance	$1,830,254	$1,842,970			$1,830,254	$1,842,970	**0.7%**
Student Transportation	$1,476,353	$1,577,386			$1,476,353	$1,577,386	**6.8%**
Other	$324,642	$251,015			$324,642	$251,015	**-22.7%**
Interest on Long-Term Debt	$506,124	$507,305			$506,124	$507,305	**0.2%**
Bond Issuance Cost	$0	$15,715			$0	$15,715	**0.0%**
School Nutrition			$1,429,229	$1,335,972	$1,429,229	$1,335,972	**-6.5%**
Total Expenses	$22,055,478	$24,466,257	$1,429,229	$1,335,972	$23,484,707	$25,802,229	**9.9%**

- The District's total revenues were $26,689,232 and the total expenditures were $25,802,229. Revenues exceeded expenses by $887,003.
- State revenues accounted for 64% and local taxes accounted for 13% of the revenue.
- Instruction was the major expense category and accounted for 54% of the total.
- School Nutrition revenues exceeded expenses by $13,678 and Governmental revenues exceeded expenses by $873,325.



Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2016	FY 2017	Amount of Change	% Change
General Fund	$4,362,911	$5,022,693	$659,782	15.1%
Special Revenue Fund	$47,329	$59,809	$12,480	26.4%
Construction Fund	$120,752	$529,462	$408,710	338.5%
Other Governmental Funds	$13,995	$0	-$13,995	-100.0%
School Nutrition Fund	$110,958	$124,636	$13,678	12.3%
Total	$4,655,945	$5,736,600	$1,080,655	23.2%



- The General Fund's fund balance showed an increase of $659,782.
- The Special Revenue fund had an increase of $12,480. The only fund left in the Special Revenue fund is technology at year end.
- The Construction fund showed an increase in fund balance of $408,710.
- Other Governmental funds showed decrease of $13,995.
- The School Nutrition fund balance showed an increase of $13,678.

Comments on General Fund and Special Revenue Budget Comparisons

- The District's General Fund total revenues for the fiscal year ended June 30, 2017, net of interfund transfers, were $15,641,240. This is $527,860 more than was budgeted in the final working budget. The District budgets for its local revenues (taxes, earned interest, and tuition) in a conservative manner. Thus, local revenues were higher than budgeted $337,212.

- Other expenditures show a $1,056,922 surplus. The major reason is because in this category the district's contingency was budgeted. The contingency is not meant to be expended, but is to be used as the district's beginning balance for next year. The contingency budgeted was actually $1,375,000.

- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

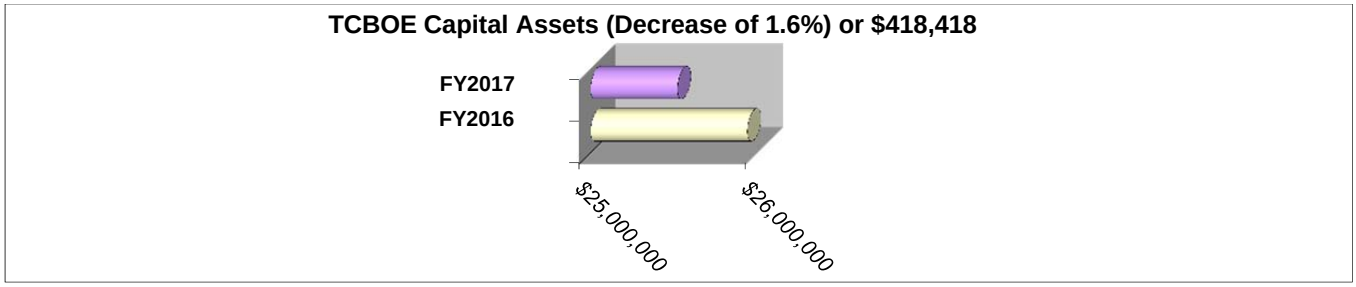
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2017 the district had invested $25,517,965 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total initial cost of assets was $46,012,656 with accumulated depreciation of $20,494,691.

SUMMARY OF CAPITAL ASSETS

Capital Assets (net of depreciation)	Government Activities		Proprietary Business-Type Activities		District Total	
	FY 2016	**FY 2017**	**FY 2016**	**FY 2017**	**FY 2016**	**FY 2017**
Land	$4,278,950	$4,269,133	$0	$0	$4,278,950	$4,269,133
Construction in Progress	$0	$688,710	$0	$0	$0	$688,710
Buildings	$19,497,720	$18,553,491	$272,419	$238,013	$19,770,139	$18,791,504
Equipment & Furniture	$1,862,401	$1,748,962	$24,893	$19,656	$1,887,294	$1,768,618
Total Assets	**$25,639,071**	**$25,260,296**	**$297,312**	**$257,669**	**$25,936,383**	**$25,517,965**



Long-Term Debt

The District's long-term general obligation bonds outstanding at June 30, 2017 were $15,907,402. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to repay $1,922,951 of the bonds leaving the District to pay $13,984,451.

Outstanding Debt at Year End

	Governmental Activities 2016	Governmental Activities 2017
General Obligation Bonds:		
Series 2009 Refinance 1998A and 1998B	2,015,000	1,360,000
KISTA 2008	144,306	73,477
Series 2010 Refunding Revenue	1,460,000	1,425,000
Series 2011 Refunding Revenue	1,995,000	1,955,000
Series 2013 Refunding Revenue	2,385,000	2,135,000
KISTA 2014	436,640	383,925
Series 2014 Refunding Revenue	7,925,000	7,760,000
Series 2016 Bond Issue	0	815,000
Total	**$ 16,360,946**	**$ 15,907,402**

BUDGETARY IMPLICATIONS

It is extremely important that the district continue to budget very conservatively. The district receives approximately 80% of its general fund revenue each year through the state funding formula (SEEK). On occasions, there have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 9% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth-seventh months. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year. The district has an ending fund balance of $5,022,693.

By law, the budget must have a minimum 2% contingency. The district adopted a budget with $1,375,000 in contingency. Significant Board action that impacts finances include pay raises for all employees, additional spending on students and classroom technology needs and general fund matching dollars for other grants. The district currently participates in thirty federal and state grants. The total budget for these grants is $3,171,194. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges for Todd County Schools are to continue to improve the academic performance of our students and to improve the school climate and culture.

Todd County will continue to improve the curriculum so that it is rigorous, intentional and aligned to state standards. We are continually realigning the curriculum, not only by having communication within grade levels, but between the schools with focus on key transitions. We continue to analyze our test scores and student work to identify gaps and provide feedback not only to the students but staff as well. We will continue to implement professional development and instructional practices in all classrooms throughout the district to motivate and increase student achievement.

Another challenge for the future of Todd County Schools is to improve school culture and climate. The leadership believes all children can learn at high levels and supports a climate that is conducive to performance excellence. We continually strive to improve our learning community by working with families to remove barriers to learning to meet the needs of students. We will continue to use multiple communication strategies to

disseminate information on things like student achievement.

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, inquiries should be directed to the Todd County Board of Education, Makka Wheeler, Treasurer & Director of Finance.

June 30, 2017	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	$ 5,193,319	$ 481,295	$ 5,674,614
Accounts receivable:			
Taxes	203,163	-	203,163
Accounts	20,881	-	20,881
Intergovernmental	431,444	-	431,444
Inventory	-	31,125	31,125
Non-depreciable capital assets	4,903,782	-	4,903,782
Depreciable capital assets	39,815,290	1,293,584	41,108,874
Less: accumulated depreciation	(19,458,776)	(1,035,915)	(20,494,691)
Total assets	31,109,103	770,089	31,879,192
Deferred Outflows of Resources			
Deferred loss on debt refundings	438,574	-	438,574
Pension related	1,116,849	175,172	1,292,021
Total deferred outflows of resources	1,555,423	175,172	1,730,595
Liabilities			
Accounts payable	68,993	65	69,058
Accrued liabilities	16,604	-	16,604
Unearned revenue	151,246	-	151,246
Accrued interest	159,869	-	159,869
Long-term obligations:			
Due within one year:			
Outstanding bonds	1,324,181	-	1,324,181
Other	113,631	-	113,631
Compensated absences	139,996	-	139,996
Due beyond one year:			
Outstanding bonds	14,557,065	-	14,557,065
Other	89,700	-	89,700
Compensated absences	334,576	-	334,576
Net pension liability	5,112,402	801,856	5,914,258
Total liabilities	22,068,263	801,921	22,870,184

See accompanying notes to the financial statements.

June 30, 2017	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources			
Pension related	119,253	18,704	137,957
Total deferred inflows of resources	119,253	18,704	137,957
Net Position			
Net investment in capital assets	10,085,761	257,669	10,343,430
Restricted for:			
Grant programs	59,809	-	59,809
Capital projects	127,530	-	127,530
Unrestricted	203,910	(133,033)	70,877
Total net position	$ 10,477,010	$ 124,636	$ 10,601,646

See accompanying notes to the financial statements.

		Program Revenues			Changes in Net Position		
Year Ended June 30, 2017	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental Activities:							
Instruction	$ 13,935,926	$ 35,321	$ 2,128,952	$ 74,274	$ (11,697,379)	$ -	$(11,697,379)
Support Services:							
Student	1,496,221	-	25,814	-	(1,470,407)	-	(1,470,407)
Instructional staff	1,619,266	-	453,360	-	(1,165,906)	-	(1,165,906)
District administration	476,072	-	-	-	(476,072)	-	(476,072)
School administration	2,082,485	-	-	-	(2,082,485)	-	(2,082,485)
Business	661,896	-	-	-	(661,896)	-	(661,896)
Plant operations and maintenance	1,842,970	300	9,560	-	(1,833,110)	-	(1,833,110)
Student transportation	1,577,386	-	149,651	-	(1,427,735)	-	(1,427,735)
Other	251,015	-	174,430	-	(76,585)	-	(76,585)
Interest on long-term debt	507,305	-	-	1,123,911	616,606	-	616,606
Bond issuance cost	15,715	-	-	-	(15,715)	-	(15,715)
Total governmental activities	24,466,257	35,621	2,941,767	1,198,185	(20,290,684)	-	(20,290,684)
Business-Type Activities:							
Food services	1,335,972	201,685	1,210,089	-	-	75,802	75,802
Total business-type activities	1,335,972	201,685	1,210,089	-	-	75,802	75,802
Total school district	$ 25,802,229	$ 237,306	$ 4,151,856	$ 1,198,185	(20,290,684)	75,802	(20,214,882)

See accompanying notes to the financial statements.

Year Ended June 30, 2017	Changes in Net Position		
	Governmental Activities	**Business-Type Activities**	**Total**
General Revenues			
Taxes:			
Property	2,210,535	-	2,210,535
Motor vehicle	390,507	-	390,507
Utilities	681,904	-	681,904
Unmined minerals	1,714	-	1,714
Other	381,994	-	381,994
State aid	17,011,050	-	17,011,050
Investment earnings	60,493	4,569	65,062
Other	352,992	-	352,992
Transfers	66,693	(66,693)	-
Gain on disposal of assets	6,127	-	6,127
Total general revenues and transfers	21,164,009	(62,124)	21,101,885
Change in net position	873,325	13,678	887,003
Net position - beginning of year	9,603,685	110,958	9,714,643
Net position - end of year	$ 10,477,010	$ 124,636	$ 10,601,646

See accompanying notes to the financial statements.

Todd County School District
Balance Sheet
Governmental Funds

June 30, 2017	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 4,644,821	$ -	$ 548,498	$ 5,193,319
Accounts receivable:				
Taxes	203,163	-	-	203,163
Accounts	20,881	-	-	20,881
Intergovernmental	-	431,444	-	431,444
Due from other funds	218,215	-	-	218,215
Total assets	$ 5,087,080	$ 431,444	$ 548,498	$ 6,067,022

See accompanying notes to the financial statements.

Todd County School District
Balance Sheet
Governmental Funds

June 30, 2017	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 47,783	$ 2,174	$ 19,036	$ 68,993
Accrued liabilities	16,604	-	-	16,604
Due to other funds	-	218,215	-	218,215
Unearned revenue	-	151,246	-	151,246
Total liabilities	64,387	371,635	19,036	455,058
Fund Balances				
Restricted	-	59,809	529,462	589,271
Committed	1,787,097	-	-	1,787,097
Assigned	70,963	-	-	70,963
Unassigned	3,164,633	-	-	3,164,633
Total fund balances	5,022,693	59,809	529,462	5,611,964
Total liabilities and fund balances	$ 5,087,080	$ 431,444	$ 548,498	$ 6,067,022

See accompanying notes to the financial statements.

Todd County School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position

June 30,	2017
Total fund balances – governmental funds	$ 5,611,964
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 $44,719,072 and the accumulated depreciation is $19,458,776.	25,260,296
Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the fund statements.	997,596
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources.	438,574
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable	(15,881,246)
Accrued interest on outstanding bonds	(159,869)
Other debt	(203,331)
Compensated absences	(474,572)
Net pension liability	(5,112,402)
Total net position – governmental activities	$ 10,477,010

See accompanying notes to the financial statements.

Todd County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2017	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	$ 1,600,433	$ -	$ 610,102	$ 2,210,535
Motor vehicle	390,507	-	-	390,507
Utilities	681,904	-	-	681,904
Unmined minerals	1,714	-	-	1,714
Other	381,994	-	-	381,994
Tuition and fees	35,321	-	-	35,321
Earnings on investments	53,646	442	6,847	60,935
Other local revenue	59,883	-	-	59,883
Intergovernmental - state	12,344,552	1,394,711	1,123,911	14,863,174
Direct federal	312,127	-	-	312,127
Intergovernmental - federal	-	1,620,888	-	1,620,888
Total revenues	15,862,081	3,016,041	1,740,860	20,618,982
Expenditures				
Current:				
Instruction	7,802,247	2,226,781	-	10,029,028
Support services:				
Student	1,150,350	25,814	-	1,176,164
Instructional staff	727,412	453,360	-	1,180,772
District administration	683,606	-	-	683,606
School administration	1,355,657	-	-	1,355,657
Business	577,403	-	-	577,403
Plant operations and maintenance	1,542,459	9,560	-	1,552,019
Student transportation	1,121,680	149,651	-	1,271,331

See accompanying notes to the financial statements.

Todd County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2017	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Other	20,644	174,430	-	195,074
Debt service:				
Principal	-	-	1,268,544	1,268,544
Interest	-	-	422,273	422,273
Bond issuance cost	-	-	15,715	15,715
Building Acquition & Construction	-	1,102		1,102
Architectural & engineering services	-	-	688,710	688,710
Total expenditures	14,981,458	3,040,698	2,395,242	20,417,398
Excess (deficiency) of revenues over expenditures	880,623	(24,657)	(654,382)	201,584
Other Financing Sources (Uses)				
Bond proceeds-net of discount	-	-	798,700	798,700
Operating transfers-in	66,761	37,137	1,942,611	2,046,509
Operating transfers-out	(287,602)	-	(1,692,214)	(1,979,816)
Total other financing sources (uses)	(220,841)	37,137	1,049,097	865,393
Net change in fund balances	659,782	12,480	394,715	1,066,977
Fund balances - beginning of year	4,362,911	47,329	134,747	4,544,987
Fund balances - end of year	$ 5,022,693	$ 59,809	$ 529,462	$ 5,611,964

See accompanying notes to the financial statements.

Todd County School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities

Year Ended June 30,	2017
Total net change in fund balances – governmental funds	$ 1,066,977
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 expense. This is the amount by which depreciation, $1,441,549, exceeds capital outlays, $1,075,365, in the period.	(366,184)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(12,591)
Repayment of bond principal and other debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,421,951
The issuance of a bond is shown as an other financing source in the governmental funds, but the proceeds, net of transfers to bond escrow agent, increase long-term liabilities in the statement of net position.	(798,700)
Government funds report District pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contribtuions	343,083
Cost of benefits earned net of employee contributions	(674,648)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	(106,563)
Change in net position - governmental activities	$ 873,325

See accompanying notes to the financial statements.

Todd County School District
Statement of Net Position
Proprietary Funds

June 30, 2017		**Enterprise Fund Food Service**
Assets		
Current Assets		
Cash	$	481,295
Inventory		31,125
Total current assets		512,420
Non-Current Assets		
Fixed assets - net		257,669
Total assets		770,089
Deferred Outflows of Resources		
Pension related		175,172
Total deferred outflows of resources		175,172
Liabilities		
Current Liabilities		
Accounts payable		65
Total current liabilities		65
Long-Term Liabilities		
Net pension liability		801,856
Total long-term liabilities		801,856
Deferred Inflows of Resources		
Pension related		18,704
Total deferred inflows of resources		18,704
Net Position		
Net investment in capital assets		257,669
Unrestricted		(133,033)
Total net position	$	124,636

See accompanying notes to the financial statements.

Todd County School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

Year Ended June 30, 2017	Enterprise Fund Food Service
Operating Revenues	
Lunchroom sales	$ 201,685
Total operating revenues	201,685
Operating Expenses	
Salaries and wages	618,118
Contract services	39,052
Materials and supplies	636,113
Other operating expenses	3,045
Depreciation expense	39,644
Total operating expenses	1,335,972
Operating loss	(1,134,287)
Non-Operating Revenues	
State operating grants	111,687
Federal operating grants	1,025,445
Donated commodities	72,957
Interest revenue	4,569
Total non-operating revenues	1,214,658
Income before transfers	80,371
Transfers	(66,693)
Change in net position	13,678
Net position - beginning of year	110,958
Net position - end of year	$ 124,636

See accompanying notes to the financial statements.

Todd County School District
Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2017	Enterprise Fund Food Service
Cash Flows from Operating Activities	
Cash received from user charges	$ 201,685
Cash payments to employees for services	(487,522)
Cash payments for contract services	(39,052)
Cash payments to suppliers for goods and services	(578,755)
Cash payments for other operating expenses	(3,045)
Net cash used in operating activities	(906,689)
Cash Flows from Non-Capital Financing Activities	
Indirect cost transfer to general fund	(66,693)
Non-operating grants received	1,037,641
Net cash provided by non-capital financing activities	970,948
Cash Flows from Investing Activities	
Interest on investments	4,568
Net cash provided by investing activities	4,568
Net increase in cash	68,827
Cash - beginning of year	412,468
Cash - end of year	$ 481,295

See accompanying notes to the financial statements.

Todd County School District
Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2017	**Enterprise Fund Food Service**
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
Operating loss	$ (1,134,287)
Adjustments To Reconcile Operating Loss To Net Cash Used In Operating Activities:	
Depreciation	39,644
Commodities used	72,957
On-behalf payments received	99,491
Pension contributions in excess of pension expense	31,105
Changes in assets and liabilities:	
Inventories	(15,599)
Net cash used in operating activities	$ (906,689)

Noncash Activities

- The food service fund received $72,957 of donated commodities from the federal government.
- The food service fund received on-behalf payments of $99,491 relating to insurance benefits.
- The District reclassified $53,811 related to pension expense to deferred outflows of resources.

See accompanying notes to the financial statements.

Todd County School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2017		**Agency Fund**
Assets		
Cash	$	297,504
Total assets	$	297,504
Liabilities		
Due to student groups	$	297,504
Total liabilities	$	297,504

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Todd County School District. 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 Band Boosters, Parent-Teacher Associations, etc., except those funds administered as an activity in the agency funds.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, “The Financial Reporting Entity,” as amended by GASB 39, “Determining Whether Certain Organizations Are Component Units,” the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization’s governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District’s financial statements to be incomplete.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements as a blended component unit:

> **Todd County School District Finance Corporation** — The Todd County Board of Education resolved to authorize the establishment of the Todd County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Todd County Board of Education also comprise the Corporation's Board of Directors.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The District has the following funds:

Governmental Fund Types

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 unassigned fund balances are considered as resources available for use. The general fund is a major fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. It 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. The special revenue fund is a major fund.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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 and certain operating costs.

The *Facility Support Program of Kentucky (FSPK) Fund* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds are restricted for use in financing projects identified in the District’s facility plan.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.

Proprietary Fund Types

Enterprise Fund

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

To the proprietary activities, the District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary Fund Types (includes agency funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or as an agent on behalf of others.

Agency Funds

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

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The 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. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid.

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, 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.

Inventory

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $5,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; 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 not capitalized.

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:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Description	Estimated Lives
Buildings and improvements	25–50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5–10 years
Audio-visual equipment	15 years
Food service equipment	10–12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Outflows of Resources

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The deferred outflows of resources reported in this year's financial statements include (1) deferred amount arising from the refunding of bonds, (2) a deferred outflow of resources for contributions made to the District's defined benefit pension plan between the measurement date of the net pension liabilities from the plan and the end of the District's fiscal year (3) and deferred outflows of resources related to the differences between the expected and actual demographics for the cost sharing defined benefit plan. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred amounts related to the actuarial assumptions for demographic factors in the cost sharing pension plan will be recognized over a closed period equal to the average of the expected remaining services lives of all employees participating in the plan. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The District's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the District's various statements of net position for actual pension plan investment

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources (Continued)

earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Certified Employees Retirement System (CERS)/Teacher Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the salaries paid by each employer. Pension investments are reported at fair value. Note 6 provides further detail on the net pension liability.

Post-Employment Health Care Benefits

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and the KTRS plans.

Unearned Revenue

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

Compensated Absences

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

The entire compensated absences liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

Net Position

The District classifies its net position into the following three categories:

Net investment in capital assets - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

Revenues — Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from nonexchange transactions must also be available before they can be recognized.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Balances

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

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 10, 2017, which was the date the financial statements were made available.

Recent Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to address accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement becomes effective for the fiscal year beginning July 1, 2017. The District is evaluating the requirements of this Statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District is evaluating the requirements of this Statement.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District is evaluating the requirements of this Statement.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District is evaluating the requirements of this Statement.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District is evaluating the requirements of this Statement.

In June 2017, the GASB issued Statement No. 87, *Leases*. 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

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 receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the requirements of this Statement.

NOTE 2: CASH

Deposits

At June 30, 2017, the carrying amounts of the District's cash in deposits were $5,972,118 and the bank balances were $6,634,686, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

The carrying amounts are reflected in the financial statements as follow:

June 30,		*2017*
Governmental funds	$	5,193,319
Proprietary fund		481,295
Fiduciary funds		297,504
	$	5,972,118

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of $6,634,686 was not exposed to custodial credit risk as of June 30, 2017.

NOTE 3: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consist of the following:

June 30, 2017		
Receivable Fund	**Payable Fund**	**Amount**
General Fund	Special Revenue Fund	$ 218,215

The amounts represent interfund loans between the general fund and special revenue fund.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Capital Cost			
June 30, 2017	**Beginning Balance**	**Additions**	**Retirements/ Reclassifications**	**Ending Balance**
Governmental Activities:				
Capital assets that are not depreciated:				
Land	$ 4,215,072	$ -	$ -	$ 4,215,072
Construction in progress	-	688,710	-	688,710
Total non-depreciable historical cost	4,215,072	688,710	-	4,903,782
Capital assets that are depreciated:				
Land improvements	1,120,054	-	-	1,120,054
Buildings and improvements	31,875,596	-	-	31,875,596
Technology equipment	2,660,654	314,720	740,618	2,234,756
Vehicles	3,282,380	-	160,631	3,121,749
General	1,393,441	71,935	2,241	1,463,135
Total depreciable historical cost	40,332,125	386,655	903,490	39,815,290
Less accumulated depreciation for:				
Land improvements	1,056,176	9,817	-	1,065,993
Buildings and improvements	12,377,876	944,229	-	13,322,105
Technology equipment	2,125,070	217,306	728,655	1,613,721
Vehicles	2,558,647	168,617	160,631	2,566,633
General	790,357	101,580	1,613	890,324
Total accumulated depreciation	18,908,126	1,441,549	890,899	19,458,776
Total depreciable historical cost, net	21,423,999	(1,054,894)	12,591	20,356,514
Governmental activities, capital assets, net	$ 25,639,071	$ (366,184)	$ 12,591	$ 25,260,296

NOTE 4: CAPITAL ASSETS (CONTINUED)

	Capital Cost			
June 30, 2017	**Beginning Balance**	**Additions**	**Retirements/ Reclassifications**	**Ending Balance**
Business-Type Activities:				
Buildings and improvements	$ 930,627	$ -	$ -	$ 930,627
Technology equipment	10,137	-	1,048	9,089
General	353,868	-	-	353,868
Total depreciable historical cost	1,294,632	-	1,048	1,293,584
Less accumulated depreciation for:				
Buildings and improvements	658,208	34,406	-	692,614
Technology equipment	10,077	1,013	1,048	10,042
General	329,034	4,225	-	333,259
Total accumulated depreciation	997,319	39,644	1,048	1,035,915
Total depreciable historical cost, net	297,313	(39,644)	-	257,669
Business-type activities, capital assets, net	$ 297,313	$ (39,644)	$ -	$ 257,669

Depreciation expense was charged to governmental functions as follows:

Year ended June 30,	*2017*
Instruction	$ 537,123
Support services:	
Student	59,588
Instructional staff	35,264
District administration	93,291
School administration	464,816
Business	615
Facilities operations	155,032
Student transportation	95,796
Other	24
Total depreciation expense	$ 1,441,549

NOTE 5: LONG-TERM OBLIGATIONS

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

Issue Date	Proceeds	Rates
2009	$ 4,410,000	1.500% - 3.000%
2010	1,675,000	2.000% - 3.250%
2012	2,150,000	1.100% - 2.250%
2008 KISTA	756,945	3.000% - 3.750%
2014 KISTA	563,952	2.000% - 2.625%
2013	2,720,000	.750% - 2.300%
2014	8,170,000	.350% - 3.000%
2016	815,000	3.050%

On December 8, 2016 the District issued $815,000 School Building Revenue Bonds with an interest rate of 3.05% for new HVAC systems at the District's schools.

The District, through the General Fund, including utility taxes and the SEEK capital outlay fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Todd 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.

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017 for debt service (principal and interest) are as follows:

NOTE 5: LONG-TERM OBLIGATIONS (CONTINUED)

Year	Todd County School District Principal	Todd County School District Interest	School Facility Construction Commission Principal	School Facility Construction Commission Interest	Total Debt Service
2017-2018	$ 1,146,962	$ 368,227	$ 177,219	$ 46,986	$ 1,739,394
2018-2019	1,088,924	340,316	168,775	43,708	1,641,723
2019-2020	992,093	323,898	132,601	40,605	1,489,197
2020-2021	1,021,077	296,487	136,611	37,558	1,491,733
2021-2022	1,064,992	267,277	138,691	34,412	1,505,372
2022-2023	1,078,848	243,298	140,883	31,152	1,494,181
2023-2024	1,134,567	205,882	136,159	27,699	1,504,307
2024-2025	1,126,438	173,687	142,562	24,154	1,466,841
2025-2026	1,144,762	141,752	125,238	20,650	1,432,402
2026-2027	790,142	113,722	64,858	17,993	986,715
2027-2028	809,386	89,729	65,614	16,016	980,745
2028-2029	838,607	65,009	66,393	14,016	984,025
2029-2030	862,802	39,488	72,198	11,916	986,404
2030-2031	884,851	13,273	65,149	9,827	973,100
2031-2032	-	-	45,000	8,159	53,159
2032-2033	-	-	45,000	6,786	51,786
2033-2034	-	-	50,000	5,338	55,338
2034-2035	-	-	50,000	3,813	53,813
2035-2036	-	-	50,000	2,288	52,288
2036-2037	-	-	50,000	763	50,763
	$ 13,984,451	$ 2,682,045	$ 1,922,951	$ 403,839	$ 18,993,286

Maturities of other debt, which consists of lease obligations of $69,536 and KSBIT settlement of $133,795, are as follow for the fiscal years ending:

June 30,	
2018	$ 113,631
2019	61,962
2020	15,850
2021	11,888
	$ 203,331

NOTE 5: LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term obligations are as follows:

June 30, 2017	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
Bonds	$ 16,360,946	$815,000	$(1,268,544)	$ 15,907,402	$ 1,324,181
Less discounts	(15,808)	(16,300)	5,952	(26,156)	-
Total bonds and notes payable	16,345,138	798,700	(1,262,592)	15,881,246	1,324,181
Other liabilities:					
Compensated absences	453,041	83,731	(62,200)	474,572	139,996
Other	356,738	-	(153,407)	203,331	113,631
Total other liabilities	809,779	83,731	(215,607)	677,903	253,627
Total long-term liabilities	$ 17,154,917	$882,431	$(1,478,199)	$ 16,559,149	$ 1,577,808

NOTE 6: FUND BALANCES

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2017, the District had $529,462 restricted for capital projects in the construction fund and $58,809 restricted in the special revenue fund for grant programs.

NOTE 6: FUND BALANCES (CONTINUED)

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2017: $1,437,097 for technology programs and $350,000 for future construction.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to the site base carryforward at June 30, 2017 was $70,963. Assigned fund balances also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2017 in the governmental funds balance sheet.

NOTE 7: PENSION PLANS

Pensions

Todd County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a blended component unit of the Commonwealth of Kentucky and the County Employees' Retirement System (CERS), a blended component unit of the Commonwealth of Kentucky. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the KTRS and the CERS and additions to/deductions from KTRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by KTRS and CERS. 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.

NOTE 7: PENSION PLANS (CONTINUED)

General Information About the KTRS Pension Plan

Plan Description

The KTRS 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). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit 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.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

Any regular or special teacher or professional employed by a local school district or a regional educational cooperative and occupying a position requiring certification or graduation from a four year college or university is eligible to participate in the plan. KTRS issues a publicly available financial report that can be found on the KTRS website.

Benefits Provided

KTRS provides retirement, medical, disability, annual cost of living adjustments, and death benefits to plan members. Plan members are divided into the following two categories:

For Members Hired Before July 1, 2008:
Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

Members 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. Members hired on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members hired after July 1, 2002 who retires with 10 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 10 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% to be used in their benefit calculation.

NOTE 7: PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is $440 multiplied by credited service.

For Members Hired On or After July 1, 2008:
Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1.) Attain age 60 and complete 5 years of Kentucky service, or
2.) Complete 27 years of Kentucky service, or
3.) Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2.0% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3.0% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

KTRS 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 members and $5,000 for retired or disabled members.

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. KTRS members are required to contribute 12.855% of their salaries to the KTRS. For members employed by local school districts, the State, as a non-employer contributing entity, contributes 13.105% of salary for those who joined before July 1, 2008 and 14.105% for those joined thereafter.

NOTE 7: PENSION PLANS (CONTINUED)

Contributions (Continued)

Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

Pension Liabilities and Pension Expense

At June 30, 2017, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ -
State's proportionate share of the net pension liability associated with the District	71,778,188
Total	$ 71,778,188

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures.

For the year ended June 30, 2017, the District recognized pension expense of $5,847,546 and revenue of $5,847,546 for support provided by the State in the government wide financial statements.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Projected salary increases	4.00 - 8.20%, including inflation
Inflation rate	3.50%
Municipal bond index rate	3.01%
Discount rate	4.20%

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 4.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates, and the additional amounts appropriated for fiscal years 2017 and 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefits payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

NOTE 7: PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

Medical Insurance Plan

Plan Description

In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS medical insurance benefit is a cost-sharing, multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired for service or disability. The KTRS 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. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Contributions

The member and employer contributions consist of retirement annuity contributions and other post-employment benefit contributions to the medical and life insurance plans. The member post-employment medical contribution is 3.75 percent. The employer post-employment medical contribution is .75 percent of member gross salaries. Also, after July 1, 2015 employers (other than the state) contribute 3 percent of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010 in the non-Medicare eligible group. If a member leaves covered employment before accumulating five years of credited service, accumulated member contributions to the retirement annuity plan plus interest are refunded upon the member's request.

General Information About the CERS Pension Plan

Plan Description

All regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan are covered by the CERS – a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Trustees of the Kentucky Retirement System, under the provisions of KRS Section 61.645. CERS issues a publicly available financial report that can be found on the CERS website.

NOTE 7: PENSION PLANS (CONTINUED)

Benefits Provided

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Contributions

Plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. The participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2017, participating employers contributed 18.68% of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal year ended June 30, 2017, was 18.68%.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. These members were classified in the Tier 2 structure of benefits. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan

NOTE 7: PENSION PLANS (CONTINUED)

Contributions (Continued)

and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

At June 30, 2017, the District reported a liability of $5,914,258 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2016 contributions to the pension plan relative to the 2016 contributions of all participating employers, actuarially determined. At June 30, 2016, the District's proportion was .12012%.
For the year ended June 30, 2017, the District recognized pension expense of $744,590. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

	Deferred Outflows of	Deferred Inflows of
Difference between expected and actual experience	$ 25,820	$ -
Net difference between projected and actual investment earnings on pension plan investments	556,001	-
Change of assumptions	313,306	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	-	137,957
District contributions subsequent to the measurement date	396,894	-
Total	$ 1,292,021	$ 137,957

NOTE 7: PENSION PLANS (CONTINUED)

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

$396,894 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	$ 332,494
2019	222,447
2020	216,662
2021	123,522
Thereafter	-

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Projected salary increases	4.00%, average, including inflation
Inflation rate	3.25%
Discount rate	7.50%

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 in 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 actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log - normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44.0%	5.40%
Combined Fixed Income	19.0%	1.50%
Real Return (Diversified Inflation Strategies)	10.0%	3.50%
Real Estate	5.0%	4.50%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25%
Private Equity	10.0%	8.50%
Cash Equivalent	2.0%	-0.25%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

NOTE 7: PENSION PLANS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 7,370,113	$ 5,914,258	$ 4,666,286

Pension Plan Fiduciary Net Position

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

Kentucky Retirement Systems Insurance Fund

Plan Description

The Kentucky Retirement Systems Insurance Fund (Insurance Fund) was established to provide hospital medical insurance for members receiving benefits from KERS and CERS and other retirement plans administered by the Kentucky Retirement Systems (KRS). The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Contributions

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund
20 or more	100%
15-19	75%
14-Oct	50%
9-Apr	25%
Less than 4	0%

NOTE 7: PENSION PLANS (CONTINUED)

Contributions (Continued)

As a result of House Bill 290 (2004 Kentucky General Assembly) medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on, or after, July 1, 2003 earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees who participation began on, or after, July 1, 2003 earn $15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives $10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. As of June 30, 2016, non-hazardous employees whose participation began on, or after, July 1, 2003 earn $12.99 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn $19.48 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of Commonwealth so demands.

On August 6, 2012, the Board voted to cease self-funding of healthcare benefits for most KRS Medicare eligible retirees. The Board elected to contract with Humana Insurance Company to provide healthcare benefits to KRS' retirees through a fully-insured Medicare Advantage Plan. The Humana Advantage Plan became effective January 1, 2013.

Deferred Compensation Plans

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statements.

NOTE 8: CONTINGENCIES

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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District

NOTE 8: CONTINGENCIES (CONTINUED)

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.

NOTE 9: RISK MANAGEMENT

The District is exposed to various risk of loss of assets associated with the risks related to torts; theft of, damage to destruction of assets; fire, personal liability, vehicular accidents; errors and omissions, injuries to employees; fiduciary responsibility; and natural disasters. 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 workers' compensation insurance.

The District purchases unemployment insurance through KSBIT; 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.

NOTE 10: LITIGATION

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

NOTE 11: EXCESS EXPENDITURES OVER APPROPRIATIONS

The District has no funds with a deficit fund balance. However, the following funds had excess current year expenditures over current year appropriated revenues:

Year ended June 30, 2017	
Fund	**Amount**
FSPK	$ 13,995

NOTE 12: FUND TRANSFERS

Fund transfers for the year ended June 30, 2017 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Matching	$ 37,137
Operating	General	Debt Service	Debt Service	250,465
Operating	FSPK	Debt Service	Debt Service	1,091,029
Operating	SEEK	Debt Service	Debt Service	176,844
Operating	FSPK	Construction	Expenditures	307,657
Operating	FSPK	General	Expenditures	68
Operating	Food Service	General	Indirect Costs	66,693
Operating	Construction	Construction	Construction	116,616

NOTE 13: ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky and the US Treasury for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2017, was $3,657,203. These payments were recorded as follows:

Year Ended June 30, 2017

Fund	Amount
General Fund	$ 3,385,233
Food Service Fund	99,491
Debt Service Fund	172,479
Total	$ 3,657,203

Year Ended June 30, 2017

	Amount
Technology	$ 57,249
Health Insurance less Federal reimbursements	2,096,495
Life Insurance	3,643
Administrative Fees	28,951
HRA/Dental/Vision Insurance	117,338
SFCC Debt Service	172,479
KTRS	1,181,048
Total	$ 3,657,203

Todd County School District
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2017	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances Favorable (Unfavorable) Final to Actual
Revenues				
Local and intermediate sources	$ 2,800,553	$ 2,868,190	$ 3,205,402	$ 337,212
State programs	12,386,877	12,420,550	12,344,552	(75,998)
Federal programs	50,000	50,000	312,127	262,127
Total revenues	15,237,430	15,338,740	15,862,081	523,341
Expenditures				
Current:				
Instruction	7,966,665	7,769,640	7,802,247	(32,607)
Support services:				
Student	1,171,090	1,148,020	1,150,350	(2,330)
Instructional staff	497,145	496,725	727,412	(230,687)
District administration	846,485	807,240	683,606	123,634
School administration	1,426,145	1,404,000	1,355,657	48,343
Business	599,630	651,840	577,403	74,437
Plant operations and maintenance	2,287,320	2,295,940	1,542,459	753,481
Student transportation	1,350,120	1,319,600	1,121,680	197,920
Other	26,445	26,850	20,644	6,206
Building acquisition and construction	-	118,525	-	118,525
Total expenditures	16,171,045	16,038,380	14,981,458	1,056,922
Excess (deficiency) of revenues over expenditures	(933,615)	(699,640)	880,623	1,580,263

Year Ended June 30, 2017	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances (Unfavorable) Final to Actual
Other Financing Sources (Uses)				
Contingency	(1,375,000)	(1,375,000)	-	1,375,000
Operating transfers - net	8,615	(225,360)	(220,841)	4,519
Total other financing sources (uses)	(1,366,385)	(1,600,360)	(220,841)	1,379,519
Net change in fund balance	(2,300,000)	(2,300,000)	659,782	2,959,782
Fund balance - beginning of year	2,300,000	2,300,000	4,362,911	2,062,911
Fund balance - end of year	$ -	$ -	$ 5,022,693	$ 5,022,693

Todd County School District
Budgetary Comparison Schedule for the Special Revenue Fund

Year Ended June 30, 2017	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances Favorable (Unfavorable) Final to Actual
Revenues				
Local and intermediate sources	$ -	$ 75	$ 442	$ 367
State programs	1,200,588	1,429,367	1,394,711	(34,656)
Federal programs	1,628,211	1,741,752	1,620,888	(120,864)
Total revenues	2,828,799	3,171,194	3,016,041	(155,153)
Expenditures				
Current:				
Instruction	1,986,016	2,269,544	2,226,781	42,763
Support services:				
Student	24,127	24,937	25,814	(877)
Instructional staff	517,094	587,199	453,360	133,839
Plant operations and maintenance	900	12,344	10,662	1,682
Student transportation	165,277	146,117	149,651	(3,534)
Other	175,385	174,053	174,430	(377)
Total expenditures	2,868,799	3,214,194	3,040,698	173,496
Deficiency of revenues over expenditures	(40,000)	(43,000)	(24,657)	18,343

Todd County School District
Budgetary Comparison Schedule for the Special Revenue Fund

Year Ended June 30, 2016	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances Favorable (Unfavorable) Final to Actual
Other Financing Sources (Uses)				
Operating transfers- net	40,000	43,000	37,137	(5,863)
Total other financing sources (uses)	40,000	43,000	37,137	(5,863)
Net change in fund balance	-	-	12,480	12,480
Fund balance - beginning of year	-	-	47,329	47,329
Fund balance - end of year	$ -	$ -	$ 59,809	$ 59,809

Schedule of the District's Proprotionate Share of the Net Pension Liability-KTRS

As of June 30,	2017	2016	2015
District's proportion of the net pension liability	0.0%	0.0%	0.0%
District's proportionate share of the net pension liability	$ -	$ -	$ -
State's proportionate share of the net pension liability associated with the District	$ 71,778,188	$ 57,599,582	$ 53,015,710
District's covered - employee payroll	$ 8,115,826	$ 8,235,595	$ 8,085,372
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	35.22%	42.49%	45.59%

Schedule of District's Contributions-KTRS

For the Year Ended June 30,	2017	2016	2015
Contractually required contribution	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 7,928,382	$ 8,115,826	$ 8,235,595
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

Changes of Benefit Terms

None noted.

Changes of Assumptions

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

Schedule of the District's Proportionate Share of the Net Pension Liability-CERS

As of June 30,	2017	2016	2015
District's proportion of the net pension liability	0.120120%	0.124668%	0.125705%
District's proportionate share of the net pension liability	$ 5,914,258	$ 5,360,134	$ 4,078,000
District's covered - employee payroll	$ 2,868,370	$ 2,850,832	$ 2,843,023
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.19%	188.02%	143.44%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

Schedule of District's Contributions-CERS

For the Year Ended June 30,	2017	2016	2015
Contractually required contribution	$ 396,894	$ 356,252	$ 363,481
Contributions in relation to the contractually required contribution	396,894	356,252	363,481
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 2,845,117	$ 2,868,370	$ 2,850,832
Contributions as a percentage of covered-employee payroll	13.95%	12.42%	12.75%

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:

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

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

2014: As cash balance plan was introduced for member whose 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:

2015

- The assumed investment rate of return was decreased from 7.75% to7.50%.
- 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.

2016

- No changes in benefit terms or assumptions.

Todd County School District
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2017	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Assets					
Cash	$ -	$ -	$ 548,498	$ -	$ 548,498
Total assets	$ -	$ -	$ 548,498	$ -	$ 548,498
Liabilities					
Accounts payable	$ -	$ -	$ 19,036	$ -	$ 19,036
Total Liabilities	$ -	$ -	$ 19,036	$ -	$ 19,036
Fund Balances					
Restricted					
Capital projects	$ -	$ -	$ 529,462	$ -	$ 529,462
Total fund balances	$ -	$ -	$ 529,462	$ -	$ 529,462

Todd County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2017	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	$ -	$ 610,102	$ -	$ -	$ 610,102
Earnings on investments	-	69	6,778	-	6,847
Intergovernmental - state	176,844	774,588	-	172,479	1,123,911
Total revenues	176,844	1,384,759	6,778	172,479	1,740,860
Expenditures					
Debt service:					
Principal	-	-	-	1,268,544	1,268,544
Interest	-	-	-	422,273	422,273
Bond issuance cost	-	-	15,715	-	15,715
Building acquisition and construction	-	-	688,710	-	688,710
Total expenditures	-	-	704,425	1,690,817	2,395,242
Excess (deficiency) of revenues over expenditures	176,844	1,384,759	(697,647)	(1,518,338)	(654,382)

Todd County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2017	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Other Financing Sources (Uses)					
Bond proceeds-net of discount	-	-	798,700	-	798,700
Operating transfers-in	-	-	424,273	1,518,338	1,942,611
Operating transfers-out	(176,844)	(1,398,754)	(116,616)	-	(1,692,214)
Total other financing sources (uses)	(176,844)	(1,398,754)	1,106,357	1,518,338	1,049,097
Net change in fund balances	-	(13,995)	408,710	-	394,715
Fund Balances - beginning of year	-	13,995	120,752	-	134,747
Fund Balances - end of year	$ -	$ -	$ 529,462	$ -	$ 529,462

Todd County School District
Combining Statement of Fiduciary Net Position
School Activity Funds
Agency Funds

Year Ended June 30, 2017	Cash July 1, 2016	Receipts	Disbursements	Cash June 30, 2017	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2017
Todd Co. Central High School	$ 109,930	$ 362,378	$ 330,039	$ 142,269	$ -	$ -	$ 142,269
Todd Co. Middle	51,089	95,160	87,666	58,583	-	-	58,583
North Todd Elementary	32,269	65,308	62,574	35,003	-	-	35,003
South Todd Elementary	72,680	93,801	104,832	61,649	-	-	61,649
Total	$ 265,968	$ 616,647	$ 585,111	$ 297,504	$ -	$ -	$ 297,504

Todd County School District
Statement of Fiduciary Net Position
School Activity Funds
Todd County Central High School

Year Ended June 30, 2017	Cash July 1, 2016	Receipts	Disbursements	Cash June 30, 2017	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2017
General Fund	$ 3,287	$ 3,498	$ 1,363	$ 5,422	$ -	$ -	$ 5,422
Athletic Fund	6,181	45,815	40,885	11,111	-	-	11,111
Game Concessions	-	23,382	13,876	9,506	-	-	9,506
Ag/Greenhouse	10,671	3,172	3,550	10,293	-	-	10,293
Drama	705	-	-	705	-	-	705
Family/Consumer Sci	542	-	79	463	-	-	463
Band Account	885	27,633	25,984	2,534	-	-	2,534
Students/PBIS	1,242	2,568	1,251	2,559	-	-	2,559
PE Fund	544	-	-	544	-	-	544
Coaches Vs. Cancer	10	-	-	10	-	-	10
Interact Club	475	-	-	475	-	-	475
FFA Club	20,041	32,240	35,016	17,265	-	-	17,265
GT Class	-	1,680	1,680	-	-	-	-
Beta Club	2,959	855	292	3,522	-	-	3,522
Student Council Club	2,944	2,972	4,130	1,786	-	-	1,786
FCCLA Club	790	-	177	613	-	-	613
Spanish Club	63	439	473	29	-	-	29
Yearbook Fund	111	15,421	14,604	928	-	-	928
Library Fund	655	13	-	668	-	-	668
CPR Fund	237	-	230	7	-	-	7
TC Pep Club	1,838	-	87	1,751	-	-	1,751
1st Priority Club	44	-	-	44	-	-	44
Dance Team	2,482	6,521	7,822	1,181	-	-	1,181

Todd County School District
Statement of Fiduciary Net Position
School Activity Funds
Todd County Central High School

Year Ended June 30, 2017	Cash July 1, 2016	Receipts	Disbursements	Cash June 30, 2017	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2017
Science Dept	155	-	-	155	-	-	155
HOSA Club	442	20	310	152	-	-	152
Cheerleader Fund	4,843	31,299	30,468	5,674	-	-	5,674
Future Educators of America	1,342	-	1,000	342	-	-	342
National Honor Society	2,881	380	1,282	1,979	-	-	1,979
Faculty Lounge	473	1,240	1,453	260	-	-	260
School Fees	4,390	9,760	7,375	6,775	-	-	6,775
TCCHS PTO	2,300	1,333	2,573	1,060	-	-	1,060
TCCHS Veteran's Day Program	468	1,125	566	1,027	-	-	1,027
Class of 2017	7,058	28	7,086	-	-	-	-
CLASS of 2018	383	9,727	5,278	4,832	-	-	4,832
Ricky Jolly Scholarship Fund	4,340	3,000	1,000	6,340	-	-	6,340
Scholarships	6,955	12,850	6,980	12,825	-	-	12,825
2017 Parents/Project Graduation	6,376	41,078	45,793	1,661	-	-	1,661
Project Graduation New Games	2,000	-	-	2,000	-	-	2,000
JR ROTC	-	1,914	929	985	-	-	985
Spring Officials	-	1,040	1,040	-	-	-	-
Athletic Travel	740	250	-	990	-	-	990
Baseball	-	15,636	9,384	6,252	-	-	6,252
Boys Basketball	-	10,410	10,409	1	-	-	1
Girls Basketball	-	12,054	12,054	-	-	-	-
G/B Golf	4,415	4,308	5,937	2,786	-	-	2,786

Todd County School District
Statement of Fiduciary Net Position
School Activity Funds
Todd County Central High School

Year Ended June 30, 2017	Cash July 1, 2016	Receipts	Disbursements	Cash June 30, 2017	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2017
Boys Soccer	638	12,652	9,932	3,358	-	-	3,358
Girls Soccer	2,391	11,964	11,524	2,831	-	-	2,831
Softball	-	20,639	13,039	7,600	-	-	7,600
Track	-	1,353	760	593	-	-	593
Volleyball	121	1,632	1,685	68	-	-	68
Wrestling	208	-	208	-	-	-	-
Weightlifting	50	-	-	50	-	-	50
Trap Shooting	-	700	700	-	-	-	-
Charitable Gaming	255	2	-	257	-	-	257
Inter-fund Transfers	-	(10,225)	(10,225)	-	-	-	-
Total	$ 109,930	$ 362,378	$ 330,039	$ 142,269	$ -	$ -	$ 142,269

Year Ended June 30, 2017

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	
U.S. Department of Agriculture				
Child Nutrition Cluster				
Direct Program:				
Food Distribution Program - non-cash	10.555	-	$ 72,957	
Passed-Through State Department of Education:				
School Breakfast Program	10.553	7760005 17	278,520	
National School Lunch Program	10.555	7750002 17	746,925	
Total U.S. Department of Agriculture				1,098,402
U.S. Department of Education				
Passed-Through State Department of Education:				
Title I, Part A				
Title I to Grants Local Educational Agencies - 2015	84.010	3100002 14	3,360	
Title I to Grants Local Educational Agencies - 2016	84.010	3100002 15	150,436	
Title I to Grants Local Educational Agencies - 2017	84.010	3100002 16	515,538	
Subtotal				669,334
Migrant Education State Grant Program- 2016	84.011	3110002 15	32,957	
Migrant Education State Grant Program- 2017	84.011	3110002 16	73,844	
Subtotal				106,801
Special Education Cluster				
Special Education Grant to States - 2015	84.027	3810002 14	516	
Special Education Grant to States - 2016	84.027	3810002 15	59,133	
Special Education Grant to States - 2017	84.027	3810002 16	391,562	
Special Education Preschool Grant - 2016	84.173	3800002 15	6,314	
Special Education Preschool Grant - 2017	84.173	3800002 16	71,969	
Subtotal				529,494
English Language Acquisition State Grants - 2016	84.365	3300002 15	2,053	
English Language Acquisition State Grants - 2017	85.365	3300002 16	8,360	
Subtotal				10,413

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Year Ended June 30, 2017

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	
Career and Technical Education - Basic Grants to States - 2016	84.048	3710002 15	1,358	
Career and Technical Education - Basic Grants to States - 2017	84.048	3710002 16	22,866	
Subtotal				24,224
Supporting Effective Instruction State Grant - 2016	84.367	3230002 15	9,160	
Supporting Effective Instruction State Grant - 2017	84.367	3230002 16	90,554	
Subtotal				99,714
Rural Education - 2016	84.358	3140002 15	4,456	
Rural Education - 2017	84.358	3140002 16	41,394	
Subtotal				45,850
21st Century Community Learning Centers-2015	84.287	3400002 14	50,819	
21st Century Community Learning Centers-2016	84.287	3400002 15	84,239	
Subtotal				135,058
Total U.S. Department of Education				1,620,888
Total Expenditures of Federal Awards				$ 2,719,290

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Todd County School District (the "District") under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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.

Nonmonetary assistance is reported in the schedule at fair value of the goods received.

NOTE 3: INDIRECT COST RATE

The District has elected to use indirect cost rates as defined by the grantor in the following programs:

Child Nutrition Cluster

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE 5: LOANS AND LOAN GUARANTEES

The District did not have any loans or loan guarantee programs required to be reported on the schedule.

None noted.

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, 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, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Todd County School District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Todd County School District's basic financial statements, and have issued our report thereon dated November 10, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 10, 2017.

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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
November 10, 2017

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Todd County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, KY
November 10, 2017

Section I — Summary of Auditors' Results

Financial Statements

Type of report the 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	☑ No
Significant deficiency(ies) identified?	☐ Yes	☑ None reported

Noncompliance material to financial statements noted?	☐ Yes	☑ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	☐ Yes	☑ No
Significant deficiency(ies) identified?	☐ Yes	☑ None reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFR 200.516(a))?	☐ Yes	☑ No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A - Grants to Local Educational Agencies
84.027 / 84.173	Special Education Grants to States

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

Auditee qualified as low-risk auditee? ☑ Yes ☐ No

Section II — Financial Statement Findings

None reported.

Section III — Federal Award Findings and Questioned Costs

None reported.

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Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, Kentucky

In planning and performing our audit of the financial statements of Todd County School District (the "District") for the year ended June 30, 2017, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 10, 2017 contains our report on the District's internal control. This letter does not affect our report dated November 10, 2017 on the financial statements of the District.

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, KY
November 10, 2017

Current Year Comments

- **Central Office**
  - During our sampling procedures over 25 journal entries, we noted one entry which there was no documentation of the review of entries. We recommend all general journal entries have reviewer initials and approval documented with the entry.
- **North Todd Elementary School**
  - During our procedures over disbursements, we noted one instance of a check lacking dual signatures. We recommend all checks have dual signatures.
- **Todd County Middle School**
  - During our sampling procedures of 25 receipts of the District's schools, we noted two instances of deposit slips lacking receipt numbers. We recommend receipt numbers be listed on the deposit slips.
  - During our procedures over disbursements, we noted two instances of checks lacking dual signatures. We recommend all checks have dual signatures.
- **Todd County Central High School**
  - During our procedures over disbursements, we noted one instance of a check lacking dual signatures. We recommend all checks have dual signatures.

All prior year findings were corrected.

Todd County Schools
Wayne Benningfield, *Superintendent*

Board Members
Matt Perry, *Chairman*
Shannon Martin, *Vice-Chairman*
Stephen Childers
Eric Harris
Rudell Morrow

November 10, 2017

Carr, Riggs & Ingram, LLC
167 South Main Street
Russellville, KY 42276

Dear Sirs:

Regarding the comments noted during the June 30, 2017 audit of our financial statements, we have the following responses.

North Todd Elementary, Todd County Middle and Todd County Central High School

Condition and Criteria: During our procedures over disbursements, we noted instances of checks lacking dual signatures.
Auditor Recommendation: We recommend all checks have dual signatures.
Management Response: Training will be held with the bookkeepers. All checks will be signed by two individuals. I will require an additional person to inspect the checks before they are mailed.

Todd County Middle School

Condition and Criteria: During our sampling of 25 receipts, we noted two instances of deposit slips lacking receipt numbers.
Auditor Recommendation: We recommend receipt numbers be listed on the deposit slips.
Management Response: All receipt numbers will be listed on all deposit slips.

Central Office

Condition and Criteria: During our sampling of journal entries, we noted one entry which there was no documentation of the review of entries.
Auditor Recommendation: We recommend all general journal entries have reviewer initials and approval documented with the entry.
Management Response: All journal entries will be reviewed and initialed.

Teaching Caring Serving

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I would like to take this opportunity to thank you for the suggestions for improving our internal controls. The school district is always open to suggestions for improvement especially in the area of internal control and safeguarding the assets of the school district.

Sincerely,

Makka Wheeler

Makka Wheeler, Director of Finance

REQUIRED COMMUNICATIONS

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November 10, 2017

Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, Kentucky

We are pleased to present the results of our audit of the June 30, 2017 financial statements of the Todd County School District (the "District").

This report to the Board of Education and management summarizes our audit, the report issued and various analyses and observations related to the District's accounting and reporting. The document also contains the communications required by our professional standards.

Our GAAP audit was designed, primarily, to express opinions on the District's June 30, 2017 financial statements. We considered the District's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the District's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the use of the School District and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 270-782-0700 or swest@cricpa.com.

Very truly yours,

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC

As discussed with the Board of Education and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the District. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the District, in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*; Single Audit Act Amendments of 1996; the provisions of Uniform Guidance; and audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor's Contract* in order to express opinions on the District's financial statements for the year ended June 30, 2017.

- Communicate directly with District management and Board members regarding the results of our procedures;

- Address with District management and Board members any accounting and financial reporting issues;

- Anticipate and respond to concerns of District management and Board members; and

- Other audit-related projects as they arise and upon request.

We have audited the financial statements of the Todd County School District for the year ended June 30, 2016, and have issued our report thereon dated November 10, 2017. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards	We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated March 31, 2017. Professional standards also require that we communicate to you the following information related to our audit.
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the Auditors' conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the District and how they are disclosed.*	No such risks or exposures were noted.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the Auditors' judgment about the quality of accounting principles • *The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.* • *The auditor should also discuss the Auditors' judgment about the quality, not just the acceptability, of the District's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the District in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;* • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor. Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	No changes to the significant accounting policies in Note 1 were noted during the audit. There were no new adopted standards and no transactions that lacked authoritative guidance or consensus noted during the audit.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Significant difficulties encountered in the audit *Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.*	None noted.
Disagreements with management *Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or Auditors' report. This does not include those that came about based on incomplete facts or preliminary information.*	None noted.
Other findings or issues *Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.*	None noted.
Matters arising from the audit that were discussed with, or the subject of correspondence with, management *Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.*	None noted.
Corrected and uncorrected misstatements *All significant audit adjustments arising from the audit, whether or not recorded by the District, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.*	Please see the following section titled "Summary of Audit Adjustments."

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	None noted.
Consultations with other accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	None of which we are aware.
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "Management Representation Letter" section.
Internal control deficiencies *Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the Auditors' attention during the audit.*	See reports in the "Financial Statements" section.
Fraud and illegal acts *Fraud involving senior management of the District or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the Auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements *The external Auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Other Matters *Required supplementary information and supplementary information that will accompany the basic financial statements.*	We applied certain limited procedures to Management's Discussion and Analysis, the Budgetary Comparison, and the select pension information which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We were engaged to report on the Schedule of Expenditures of Federal Awards, Combining Schedules of Applicable Funds and Schedules of School Activities, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the District's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Fixed Assets	The District's capital assets are capitalized at cost and depreciated on the straight-line method.	X	Depreciation computed on straight-line method over the assets' useful life based on the District's capitalization policy.	The District's policies are in accordance with all applicable accounting guidelines.
Compensated Absences	The District uses the vesting method to compute compensated absences for sick leave.	X	The District accrues sick leave benefits as a liability as the benefits are earned if the employees' rights to compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination.	The District's policies are in accordance with all applicable accounting guidelines.
Net Pension Liability	The District follows guidance as defined in GASB Statement No. 68 relating to pension reporting for employers.	X	Net pension liability is determined by the cost-sharing plans' actuary and agreed to the audit of the net pension allocation.	Guidelines appear properly followed.

During the course of our audit, we accumulate differences between amounts recorded by the District and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the District or passed (uncorrected).

Recorded Adjustments

There were adjustments as a result of our audit procedures in the following funds: Fund 51 in the following areas: deferred outflows, net pension liability, deferred inflows, and CERS expense.

Effect on Financial Statements - Increase/(Decrease)

Total Assets	Total Liabilities	Fund Balance/Net Position	Revenues	Expenditures/ Expenses
$ 39,602	$ 24,224	$ -	$ 248	$ (15,626)

Passed Adjustments

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in net position or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the District's operating environment that has been identified as playing a significant role in the District's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference involves concealment of an unlawful transaction.

Enterprise Fund - Foodservice		Effect on Financial Statements - Over (Under) Statement					
Description	Amount of Difference	Total Assets	Total Liability	Fund Balance	Revenues	Expenses	Net Income
To project inventory error	$ 3,261	$ (3,261)	$ -	$ (3,261)	$ -	$ 3,261	$ (3,261)
NET EFFECT		$ (3,261)	$ -	$ (3,261)	$ -	$ 3,261	$ (3,261)

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Todd County Schools
Wayne Benningfield, *Superintendent*

Board Members
Matt Perry, *Chairman*
Shannon Martin, *Vice-Chairman*
Stephen Childers
Eric Harris
Rudell Morrow

November 10, 2017

Carr, Riggs & Ingram, LLC
P.O. Box 104
Bowling Green, KY 42102

This representation letter is provided in connection with your audit of the financial statements of Todd County School District ("District"), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 10, 2017, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 31, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the District and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility for 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.

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4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.

8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the District or summaries of actions of recent meetings for which minutes have not yet been prepared.

12. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud that affects the District and involves:

    a. Management.

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators or others.

16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government-Specific

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20. We have a process to track the status of audit findings and recommendations.

21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

23. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

26. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

28. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

29. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

30. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

31. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

32. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

33. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.

34. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

35. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.

36. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

37. Provisions for uncollectible receivables have been properly identified and recorded.

38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

39. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

41. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

42. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

43. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

44. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

45. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

46. With respect to the supplementary information, the combining schedules of applicable funds and schedules of schools' activities:

a. We acknowledge our responsibility for presenting the combining schedules of applicable funds and schedules of schools' activities in accordance with accounting principles generally accepted in the United States of America, and we believe the combining schedules of applicable funds and schedules of schools' activities, including their form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining schedules of applicable funds and schedules of schools' activities have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

b. If the combining schedules of applicable funds and schedules of schools' activities are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

47. With respect to federal award programs:

a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.

b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities

h. We have received no requests from a federal agency to audit one or more specific programs as a major program.

i. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.

j. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-87, Cost Principles for State and Local governments.

m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

Carr, Riggs & Ingram, LLC
Page 8

o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.

r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

t. We have charged costs to federal awards in accordance with applicable cost principles.

u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

v. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

x. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signed _____	**Signed** Makkar Thulu
Title _____	**Title** Finance Officer

THOUGHT LEADERSHIP

Join Our Conversation

WEBSITE (CRIcpa.com)

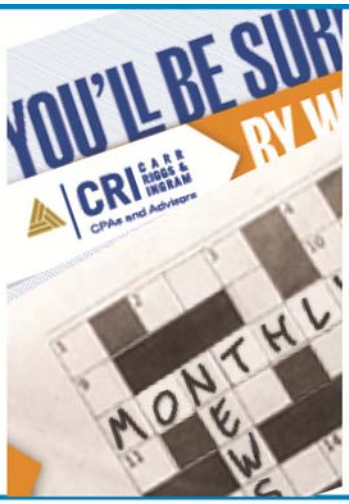
CRI's website features financial calculators, current tax and estate tax guides, a record retention schedule, glossary of common financial terms, and hundreds of articles with topics ranging from current legislation to industry-specific news.

BLOG SITE (blog.CRIcpa.com)

Featuring articles and videos, CRI's interactive blog site provides helpful tips for readers both personally and professionally. Written by our partners from their perspective and experiences, these plain English explanations of current regulations and trends exemplify our commitment to open dialogue.

CRInsights (CRIcpa.com)

We understand that just because a topic makes perfect sense to a CPA doesn't mean that it will to our clients. That's why we developed CRInsights, our in-depth yet down-to-earth explanations of complex topics.



NEWSLETTER (Sign up at CRIcpa.com)

Our team is dedicated to keeping our clients informed, and we prove it by creating a custom monthly e-newsletter with widely-applicable topics. The articles are designed to help you improve your business and personal finances. Popular recent topics include:

- Reportable Health Care Coverage on W-2s
- Navigating Alternative Minimum Tax (AMT)
- Key Considerations of Health Care Law
- Six Commandments of Estate Planning