



**Report on Audit of Financial Statements
and Supplementary Information
for the year ended June 30, 2018**

Alford Nance Jones & Oakley, LLP
Certified Public Accountants

HOPKINS COUNTY SCHOOL DISTRICT
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for the year ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, 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 Hopkins County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hopkins County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits' Fiscal Year 2017-2018 Financial Audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopkins County School District as of June 30, 2018, 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.

Emphasis-of-Matter

Change in Accounting Principle

As described in Note 21 to the financial statements, in the fiscal year beginning July 1, 2017, the Hopkins County School District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules on pages 3 through 7 and pages 55 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hopkins County School District's basic financial statements. The combining and individual nonmajor fund financial statements/schedules as listed in the table of contents 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/schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018, on our consideration of the Hopkins 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 Hopkins County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hopkins County School District's internal control over financial reporting and compliance.

Alford, Nance, Jones & Oakley LLP

Alford, Nance, Jones, & Oakley LLP
Madisonville, Kentucky
November 5, 2018

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018

FINANCIAL HIGHLIGHTS

- In total, net position, as restated, increased \$3,750,670. Net position was restated due to the accounting and financial reporting requirements of GASB statement No. 75 relating to other postemployment benefits (OPEB).
- The General Fund had \$61.7 million in revenue, which primarily consisted of SEEK (State Funding), property and motor vehicle taxes, and on-behalf revenue reported for payments made at the state level in the name of the school district. There were \$58.9 million in General Fund Expenditures.
- In December 2017, the Board of Education held a public tax hearing for comments regarding the levy of a utility gross receipts license tax at a rate of three percent. After the hearing, the motion was withdrawn from the regular meeting agenda.
- The Board of Education approved the 4% property tax rate of 68.6 cents per \$100 of assessed value for real property and 68.6 cents for personal property for fiscal year 2018. The rate generated an increase of \$1,570,232 in tax revenue compared to fiscal year 2017. General property tax revenue increased \$777,288 and franchise tax revenue increased \$789,873 contributing to the largest part of the growth.
- Litigation was settled related to the construction defects in the old Hopkins County Schools Career & Technology Center and a total settlement of \$1,350,000 was recovered. The funds are reserved to pay off future debt service.
- In August 2017, the Board approved refunding revenue bonds, Series 2017B and C, with the proceeds used to redeem the Series 2004, 2007, and 2011A bonds.
- The Superintendent reorganized through Studer Education to develop a new mission and vision statement. The procedure involved developing district scorecards and action plans based off a series of surveys involving community members, parents, employees, and students. The process is continuing into the 2018-2019 fiscal year.
- In October 2017, the Board of Education approved the purchase of four new school buses including three special need buses and one regular seventy-two passenger diesel bus.

OVERVIEW OF FINANCIAL STATEMENTS

This analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad review of the District's finances, in a manner similar to private-sector business. Government-wide financial statements outline functions of the District that is principally supported by property taxes and intergovernmental revenues (governmental activities) such as fixed assets and related debt. Governmental activities of the District include instruction, support services, operation and maintenance of facilities, student transportation and operation of non-instructional services.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS accounting software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of the districts may be divided into three categories:

Fiduciary funds - trust funds established by benefactors to aid in student education, welfare and teacher support.

Proprietary funds - child care and food service operations are the district's only proprietary funds.

Governmental funds - all other activities in the District are included in the governmental funds.

3. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,611,389 as of June 30, 2018.

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 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. Included in the financials for June 30, 2018, is the district's liability for the net pension obligation and the liability for other postemployment benefits.

NET POSITION FOR THE PERIOD ENDING JUNE 30, 2018

The following is a comparison of condensed statement of net position for the current and prior years.

	2017-2018FY	2016-2017FY
Current Assets	\$ 16,075,988	\$ 12,100,847
Restricted Assets	789,183	753,462
Capital Assets, net of accumulated depreciation	53,967,650	54,138,372
TOTAL ASSETS	\$ 70,832,821	\$ 66,992,681
TOTAL DEFERRED OUTFLOWS	\$ 12,007,377	\$ 6,882,528
Current Liabilities	\$ 8,409,814	\$ 8,562,156
Noncurrent Liabilities	78,906,554	76,421,931
TOTAL LIABILITIES	\$ 87,316,368	\$ 84,984,087
TOTAL DEFERRED INFLOWS	\$ 3,135,219	\$ 253,181
Net Position		
Investment in Capital Assets (Net of Debt)	\$ 21,760,132	\$ 19,056,609
Restricted for:		
Capital Projects	\$ 343,095	\$ 308,989
Debt Service	1,794,550	424,969
Unrestricted Fund Balance	(31,509,166)	(31,152,626)
Total Net Position	\$ (7,611,389)	\$ (11,362,059)

COMMENTS ON BUDGET COMPARISONS

- The District's total revenues for the fiscal year ended June 30, 2018 net of inter fund transfers, were \$79 million.
- The difference between the original and final budget figures occurred due to:
 1. The district did increase the budget for property tax revenue as a result of the adoption of the 4% rate change.
 2. Staffing adjustments were made based off Board policy and student enrollment.
 3. The budget for instructional staff support and district administrative support services was increased due to step up in years of service.
 4. The Board did not elect and the State did not mandate percentage salary increase.
 5. The budget for district employee benefits was adjusted based on the change in employer portion of benefits, including retirement.
 6. Due to an uncertainty of revenue adjustments from the State related to grant funds and rising pension issues the District adopts a very conservative approach to budgeting revenues.

The following presents a summary of revenue and expenditures for the fiscal year ended June 30, 2018

	2017-2018FY	2016-2017FY
GENERAL REVENUES		
Property Taxes	\$ 16,513,353	\$ 14,943,121
Motor Vehicle Taxes	1,877,466	1,846,926
Unmined Mineral Taxes	165,485	49,449
Other Taxes	54,773	54,717
Intergovernmental - Local	106,810	103,243
Investment Earnings	279,721	132,120
Tuition	5,601	4,356
Student Activities	213,351	199,639
Other Local Revenue	170,160	207,095
Insurance Recoveries	1,350,000	-
Gain (Loss) on Disposal of Fixed Assets	82,405	22,529
State and Formula Grants	43,907,805	40,336,376
PROGRAM REVENUES		
Charges for Services	408,693	409,678
Operations Grants and Contributions	11,281,361	10,956,575
Capital Grants and Contributions	2,663,088	2,874,773
TOTAL REVENUES	\$ 79,080,072	\$ 72,140,597
EXPENSES		
Instruction	42,721,991	39,297,073
Student Support	2,328,976	2,301,940
Instruction Staff Support	2,763,147	2,931,117
District Administrative Support	1,360,760	1,582,583
School Administrative Support	4,491,467	3,960,896
Business Support	2,902,856	2,697,048
Plant Operations and Maintenance	7,345,027	7,994,666
Student Transportation	4,826,200	4,069,840
Other Instructional	-	9,935
Facilities Acquisition and Construction	97,421	-
Community Services Activities	809,296	732,564
Interest on Long-Term Debt	1,091,089	1,146,347
Debt Issuance Cost	70,610	33,580
Amortization of Bond Premium/Discounts, Net	35,408	39,918
Food Services	4,391,663	4,079,197
Child Care	93,491	136,201
TOTAL EXPENSES	\$ 75,329,402	\$ 71,012,905
Changes in Net Position	\$ 3,750,670	\$ 1,127,692
Prior period adjustments	\$ (22,098,427)	\$ -
Net Position, Beginning	\$ 10,736,368	\$ 9,608,676
Net Position, Ending	\$ (7,611,389)	\$ 10,736,368

GENERAL FUND REVENUE

Total General Fund revenues are \$61,686,352. The majority of revenue was derived from State Funding of \$43,917,988 or 71%, Local Funding makes up \$17,656,743 or 29%, and other revenues of \$111,621 are less than 1%. Compared to prior year, State Funding increased by \$3,581,612 due to an increase of \$4,593,308 in on behalf payments made by the state and a decline in SEEK (Support Education Excellence in Kentucky) funding of \$1,155,441. Local Funding sources increased by \$1,910,977 for a total increase of \$5,496,113.

GENERAL FUND EXPENDITURES

Expenditures for general fund totaled \$58,850,682. Approximately 82% of the expenditures were for instruction and administration, some of which was directed by the Site Based Decision Making Councils. Plant operation and maintenance make up 11% of General Fund expenditures and transportation is the remaining 7%.

SCHOOL ALLOCATION

Regular instruction accounts for approximately 78% of the school level expenditures. School level expenditures include instruction, student support, instruction support staff, district administration, and school administration. Total instructional expenses are \$45,666,239.

DISTRICT SUPPORT SERVICES ALLOCATION

The central support services expenditures include Transportation \$3,867,034, Maintenance and Operation \$6,553,469, and District Administrative and Business Functions \$2,714,523.

FUND BALANCE

Beginning fund balance was \$5,017,903, Revenues \$61,686,352, Expenses \$58,850,682, and total other funding sources (uses) of \$(224,902) for a net change in fund balance of \$2,610,768 to reflect an ending fund balance for Fiscal Year 2017-18 of \$7,628,671.

BUSINESS TYPE ACTIVITIES

Food Services ended the year with Total Assets and Deferred Outflows of \$2,527,553 and Total Liabilities and Deferred Inflows of \$4,244,409, which left them with Total Net Position of \$(1,716,856). This negative Net Position is from the recognition of net pension liability of \$2,749,511 required under GASB 68 and OPEB liability of \$944,333 required by GASB 75. The Food Service Fund had Total Operating Revenues of \$190,257 versus \$203,960 for the previous year. This historical change in operating revenue is related to participation the Community Eligibility Program for all Hopkins County School children. The offsetting increase in revenue is found under Total Non-operating Revenues, which includes Federal and State Grants amounting to \$4,019,231 versus \$3,618,978 for the previous year.

OTHER FUNDS

The Special Revenue Grant Fund contains all of the state and federal grants. There was decrease in revenue for the Special Revenue Fund of \$141,446 compared to prior year.

FSPK Fund and Capital Outlay Fund are the restricted building funds and serve as the cash source of our bond payments and major building renovations.

Construction Fund serves as the accounting record that contains and manages all building and improvement projects.

Debt Service fund accumulates and records the bond payments of principal and interest for the fiscal year.

Child Care is the fund that manages our daycare and after school operations. One elementary school operates a child care program, and one operates an afterschool program. They are self-supporting and any profits are used at the child care center to fund instructional supplies and personnel.

BUDGETARY IMPLICATIONS

Kentucky public schools' fiscal year is July 1-June 30. Some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$3 million in contingency. The beginning general fund balance for fiscal year 2019 is \$7.6 million. Significant changes that could influence the future include pensions, postemployment benefits, and State funding cuts. It is the goal of the Hopkins County School District to provide a quality education for all students and maintain a positive financial future. Questions regarding this report should be directed to Deanna D. Ashby, Superintendent or Eydie L. Tate, Director of Finance (270) 825-6000 or by mail at 320 South Seminary Street, Madisonville, KY 42431.

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018**

Assets	Governmental Activities	Business- Type Activities	Total
Cash and cash equivalents	\$12,629,206	\$1,262,783	\$13,891,989
Receivables:			
Taxes	784,473		784,473
Accounts receivable	120,223	77,708	197,931
Intergovernmental – State	80,856		80,856
Intergovernmental – Indirect federal	805,326		805,326
Inventories	179,921	55,992	235,913
Prepaid expenses	79,500		79,500
Restricted investments	444,550		444,550
Restricted cash	344,633		344,633
Capital assets, net of accumulated depreciation	53,942,828	24,822	53,967,650
Total Assets	69,411,516	1,421,305	70,832,821
Deferred Outflows of Resources			
Deferred outflows on refunding bonds	1,276,533		1,276,533
Deferred outflows from pension contributions	6,638,831	968,968	7,607,799
Deferred outflows from OPEB contributions	2,836,452	286,593	3,123,045
Total Deferred Outflows	10,751,816	1,255,561	12,007,377
Liabilities			
Accounts payable	257,113	36	257,149
Accrued payroll and related expenses	3,327,250	173,368	3,500,618
Retainage payable			0
Accrued interest payable	215,589		215,589
Unearned revenue	961,952	10,356	972,308
Current portion of bond obligations, net	3,120,000		3,120,000
Current portion of capital lease obligation	41,428		41,428
Current portion of accrued sick leave	253,230	11,807	265,037
Current portion of insurance assessment	37,685		37,685
Noncurrent Liabilities:			
Noncurrent portion of bond obligations, net	29,891,155		29,891,155
Noncurrent portion of capital lease obligation	296,735		296,735
Noncurrent portion of accrued sick leave	382,102	31,520	413,622
Noncurrent portion of insurance assessment	37,683		37,683
Net pension liability	20,032,276	2,915,557	22,947,833
Net OPEB liability	24,318,163	1,001,363	25,319,526
Total Liabilities	83,172,361	4,144,007	87,316,368
Deferred Inflows of Resources			
Deferred inflows from pension contributions	2,058,031	299,532	2,357,563
Deferred inflows from OPEB contributions	585,227	52,429	637,656
Unavailable revenues - property taxes	140,000		140,000
Total Deferred Inflows	2,783,258	351,961	3,135,219
Net Position			
Net investment in capital assets	21,735,310	24,822	21,760,132
Restricted for:			
Capital projects	343,095		343,095
Debt service	1,794,550		1,794,550
Unrestricted	(29,665,242)	(1,843,924)	(31,509,166)
Total Net Position	(\$5,792,287)	(\$1,819,102)	(\$7,611,389)

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

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

	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total	
Expenses							
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$42,721,991	\$111,621	\$5,597,261	(\$37,013,109)		(\$37,013,109)	
Support services:							
Student	2,328,976		268,084	(2,060,892)		(2,060,892)	
Instruction staff	2,763,147		332,118	(2,431,029)		(2,431,029)	
District administrative	1,360,760			(1,360,760)		(1,360,760)	
School administrative	4,491,467			(4,491,467)		(4,491,467)	
Business	2,902,856			(2,902,856)		(2,902,856)	
Plant operation and maintenance	7,345,027		206,484	(7,138,543)		(7,138,543)	
Student transportation	4,826,200		183,721	(4,642,479)		(4,642,479)	
Other instructional				0		0	
Facilities acquisition and construction	97,421		\$2,429,399	2,331,978		2,331,978	
Community service activities	609,296		659,302	(150,994)		(150,994)	
Interest on long-term debt	1,091,089			(857,400)		(857,400)	
Debt issuance cost	70,610			(70,610)		(70,610)	
Amortization of bond premiums/discounts, net	35,408			(35,408)		(35,408)	
Total governmental activities	70,844,246	111,621	7,245,970	(60,823,569)	-	(60,823,569)	
Business-Type Activities:							
Food service	4,391,663	190,257	4,001,480		(\$199,926)	(199,926)	
Child care	93,491	106,815	33,911		47,235	47,235	
Total business-type activities	4,485,154	297,072	4,035,391	-	(152,691)	(152,691)	
Total primary government	\$75,329,402	\$408,693	\$11,281,361	\$2,663,088	(60,823,569)	(60,976,260)	
General Revenues:							
Taxes:							
Property taxes				16,513,353		16,513,353	
Motor vehicle taxes				1,877,466		1,877,466	
Unmined mineral taxes				165,485		165,485	
Other				54,773		54,773	
Intergovernmental - local				106,810		106,810	
Investment earnings				261,044	18,677	279,721	
Tuition				5,601		5,601	
Student activities				213,351		213,351	
Other local revenue				170,160		170,160	
Insurance Recoveries				1,350,000		1,350,000	
Gain (loss) on disposal of capital assets				82,405		82,405	
State and formula grants				43,907,805		43,907,805	
Change in net position				3,884,684	(134,014)	3,750,670	
Net position, July 1, 2017, restated				(9,676,971)	(1,685,088)	(11,362,059)	
Net position, June 30, 2018				(5,792,287)	(1,819,102)	(\$7,611,389)	

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

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

	General Fund	Special Revenue Grant Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$10,182,803	\$667,373		\$ 1,779,030	\$12,629,206
Receivables:					
Taxes	784,473				784,473
Accounts receivable	119,989			234	120,223
Intergovernmental - State					-
Intergovernmental - Indirect federal		805,328			805,328
Due from other funds					-
Prepaid expenses	3,500			76,000	79,500
Restricted investments				444,550	444,550
Restricted cash			\$344,633		344,633
Total Assets	\$11,090,765	\$1,472,699	\$344,633	\$2,299,814	\$15,207,911
Liabilities					
Accounts payable	\$248,433	3,928	\$1,538	\$ 3,214	\$257,113
Accrued payroll and related expenses	2,820,431	508,819			3,327,250
Retainage payable					-
Current portion of accrued sick leave	253,230				253,230
Unearned revenue	140,000	961,952			1,101,952
Due to other funds					-
Total Liabilities	3,462,094	1,472,699	\$1,538	3,214	4,939,545
Fund Balances					
Nonspendable:					
Prepaid expenses	3,500			76,000	79,500
Restricted:					
Capital projects			343,095		343,095
Debt service				1,794,550	1,794,550
Committed:					
Site-base carryforward	200,841				200,841
District Activity Fund				426,050	426,050
Assigned:					-
Encumbrances	300,000				300,000
Unassigned:					
General fund	7,124,330				7,124,330
Special revenue					-
Total Fund Balances	7,828,671	-	343,095	2,299,600	10,268,366
Total Liabilities and Fund Balances	\$11,090,765	\$1,472,699	\$344,633	\$2,299,814	\$15,207,911

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

**HOPKINS COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Total fund balance - governmental funds		\$10,268,366
Inventory is not reported in this fund financial statement because the supplies are not current financial resources, but it is reported in the statement of net position.		179,921
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		53,942,828
Deferred outflows of resources related to pension contributions/liabilities are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.		9,475,283
Intergovernmental - state receivable for KSFCC portion of accrued interest are not reported in this fund financial statement because they are not available to pay current period expenditures, but they are reported in the statement of net position.		80,856
Deferred inflows of resources related to pension contributions/liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		(2,643,258)
Certain liabilities (such as net bonds payable, KISTA lease payable, the long-term portion of accrued sick leave, insurance assessment, net pension liability and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Net bonds payable	(33,011,155)	
Capital lease obligation	(338,163)	
Noncurrent portion of accrued sick leave	(382,102)	
Insurance assessment	(75,368)	
Net pension and OPEB liability	(44,350,439)	
Accrued interest	(215,589)	(78,372,816)
Deferred outflows of resources losses from refunding bonds are not current and are not reported in the fund financial statements.		<u>1,276,533</u>
Net position of governmental activities		<u><u>(\$5,792,287)</u></u>

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

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Special Revenue Grant Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$15,130,707			\$1,382,646	\$16,513,353
Motor vehicle	1,877,486				1,877,486
Unmined mineral	165,485				165,485
Other	54,773				54,773
Tuition	5,601				5,601
Earnings on investments	231,001	\$10,379		19,664	261,044
Student activities				213,351	213,351
Other local revenues	84,900	67,445		17,815	170,160
Intergovernmental - Local	106,810				106,810
Intergovernmental - State	43,917,988	2,652,577		2,663,086	49,233,653
Intergovernmental - Indirect federal		4,494,327			4,494,327
Intergovernmental - Direct federal	111,621	99,086			210,687
Total revenues	61,686,352	7,323,794	-	4,296,564	73,306,710
Expenditures:					
Current:					
Instruction	35,776,187	5,809,574		130,428	41,716,189
Support services:					
Student	2,003,895	268,084		26,392	2,298,371
Instruction staff	2,396,481	332,118			2,728,599
District administrative	1,308,640				1,308,640
School administrative	4,181,036				4,181,036
Business	2,714,523				2,714,523
Plant operation and maintenance	6,553,469	206,484		11,625	6,771,578
Student transportation	3,867,034	183,721		1,785	4,052,540
Other instructional					0
Community service activities		658,302			658,302
Capital outlay:					
Facilities acquisition and construction			10,893		10,893
Land/site acquisition					0
Other-Facilities			86,528		86,528
Debt service:					
Principal	39,545			3,160,000	3,199,545
Other items					-
Interest	9,872			893,381	903,253
Issuance costs				70,610	70,610
Total expenditures	58,850,682	7,458,283	97,421	4,294,221	70,700,607
Excess (deficiency) of revenues over (under) expenditures	2,835,670	(134,489)	(97,421)	2,343	2,606,103
Other Financing Sources (Uses)					
Proceeds from bonds issued				7,140,000	7,140,000
Payment to refunded bond escrow agent				(7,486,449)	(7,486,449)
Premium on bonds issued				417,059	417,059
Discount on bonds issued					0
Proceeds from disposal of fixed assets	82,405				82,405
Insurance recoveries				1,350,000	1,350,000
Transfers in	184,854	134,489	357,672	3,009,099	3,686,114
Transfers out	(492,161)		(226,145)	(2,967,808)	(3,686,114)
Total other financing sources (uses)	(224,902)	134,489	131,527	1,461,901	1,503,015
Net change in fund balance	2,610,768	-	34,108	1,464,244	4,109,118
Fund balance, July 1, 2017	5,017,903	-	308,989	832,356	6,159,248
Fund balance, June 30, 2018	\$7,628,671	\$-	\$343,095	\$2,296,600	\$10,268,366

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

**HOPKINS COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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

Net change in fund balances - total governmental funds	\$ 4,109,118
Inventory is expensed under the purchases method in the fund financial statements, but must be reported as assets in the statement of net position	(24,547)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed (are less than) depreciation expense for the year.	
Capital outlays	1,665,573
Depreciation expense	<u>(1,837,525)</u>
	(171,952)
The proceeds for the issuance of bonds and bond anticipation notes provide current financial resources and are reported in this fund financial statement, but they are presented as liabilities in the statement of net position.	(7,557,060)
Bond premiums, call premiums and discounts are reported as expenditures in this fund financial statement because they are current financial resources, but they are presented as deferred outflows in the statement of activities and amortized over the remaining life of the bonds. The difference is the amount by which the actual costs exceeds (are less than) amortization expenses for the year.	(35,408)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, donations and disposals) is to increase (decrease) net position.	1,014
Bond payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.	3,160,000
Capital lease payments are recognized as expenditures of current financial resources in fund financial statements but are a reduction in liabilities in the Statement of net position.	39,545
Payments to bond escrow agents are recognized as other financing uses in the fund financial statements, but are reductions in liabilities in the statement of net position.	7,486,449
Accruals of intergovernmental - state revenue related to interest paid on-behalf of the District by the state on long-term debt is not reported in this fund financial statement, but is presented as a receivable in the statement of net position.	(10,182)
Accruals of interest and noncurrent sick leave do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental fund statements.	82,537
Net effect of deferred inflows, deferred outflows and the net pension obligation related to pension contributions.	(3,232,515)
Payments on the insurance assessment are expensed in the fund financial statements, but are reductions in liabilities in the statement of net position.	<u>37,885</u>
Change in net position of governmental activities	<u>\$ 3,884,684</u>

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

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Food Service Fund	Child Care Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$1,184,872	\$77,911	\$1,262,783
Inventory	55,992		55,992
Accounts receivable			
Intergovernmental - Indirect federal			-
Other, net	77,708		77,708
Total current assets	1,318,572	77,911	1,396,483
Noncurrent assets			
Capital assets	1,038,531		1,038,531
Less: Accumulated depreciation	(1,013,709)		(1,013,709)
Total noncurrent assets	24,822	-	24,822
Total assets	1,343,394	77,911	1,421,305
Deferred Outflows of Resources			
Deferred Outflows from CERS Contribution	913,888	55,080	968,968
Deferred Outflows OPEB	270,271	16,322	286,593
Total Deferred Outflows	1,184,159	71,402	1,255,561
Total Assets and Deferred Outflows	<u>\$2,527,553</u>	<u>\$149,313</u>	<u>\$2,676,866</u>
Liabilities			
Current liabilities			
Accounts payable		\$36	\$36
Accrued payroll and related expenses	\$164,966	8,402	173,368
Current portion - accrued sick leave	11,807		11,807
Unearned revenue	10,356		10,356
Total current liabilities	187,129	8,438	195,567
Noncurrent liabilities			
Accrued sick leave	31,520		31,520
Net pension liability	2,749,511	166,046	2,915,557
Net OPEB liability	944,333	57,030	1,001,363
Total noncurrent liabilities	3,725,364	223,076	3,948,440
Total liabilities	3,912,493	231,514	4,144,007
Deferred Inflows of Resources:			
Deferred Inflows from CERS Contribution	282,473	17,059	299,532
Deferred Inflows from OPEB	49,443	2,986	52,429
Total Deferred Inflows	331,916	20,045	351,961
Net Position			
Net investment in capital assets	24,822		24,822
Unrestricted	(1,741,678)	(102,246)	(1,843,924)
Total net position	(1,716,856)	(102,246)	(1,819,102)
Total Liabilities, Deferred Inflows, and Net Position	<u>\$2,527,553</u>	<u>\$149,313</u>	<u>\$2,676,866</u>

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

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Food Service Fund	Child Care Fund	Total
Operating Revenues:			
Lunchroom sales	\$112,722		\$112,722
Community service activities		\$106,815	106,815
Other operating revenues	77,535		77,535
Total operating revenues	<u>190,257</u>	<u>106,815</u>	<u>297,072</u>
Operating Expenses:			
Salaries and wages	1,207,492	68,640	1,276,132
Employee benefits	1,328,244	14,328	1,342,572
Contract services	52,082	5,200	57,282
Materials and supplies	1,796,063	5,323	1,801,386
Depreciation	7,782		7,782
Other operating expenses			0
Total operating expenses	<u>4,391,663</u>	<u>93,491</u>	<u>4,485,154</u>
Operating loss	<u>(4,201,406)</u>	<u>13,324</u>	<u>(4,188,082)</u>
Nonoperating Revenues (Expenses):			
Federal grants	3,284,911		3,284,911
State grants	716,569	33,911	750,480
Interest income	17,751	926	18,677
Total nonoperating revenues (expenses)	<u>4,019,231</u>	<u>34,837</u>	<u>4,054,068</u>
Change in net position	<u>(182,175)</u>	<u>48,161</u>	<u>(134,014)</u>
Net position, July 1, 2017, restated	<u>(1,534,681)</u>	<u>(150,407)</u>	<u>(1,685,088)</u>
Net position, June 30, 2018	<u><u>(\$1,716,856)</u></u>	<u><u>(\$102,246)</u></u>	<u><u>(\$1,819,102)</u></u>

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

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

	<u>Food Service Fund</u>	<u>Child Care Fund</u>	<u>Total</u>
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$105,141		\$105,141
Community service activities		\$106,815	106,815
Other operating activities	77,535		77,535
Cash paid to/for:			
Employees	(1,533,895)	(87,198)	(1,620,893)
Supplies	(1,514,294)	(5,574)	(1,519,868)
Other activities	(52,082)	(5,200)	(57,282)
Net cash provided (used) by operating activities	<u>(2,917,395)</u>	<u>8,843</u>	<u>(2,908,552)</u>
Cash Flows from Noncapital Financing Activities			
Government grants	3,059,306	6,550	3,065,856
Insurance proceeds			-
Transfer in from other fund			-
Net cash provided (used) by noncapital financing activities	<u>3,059,306</u>	<u>6,550</u>	<u>3,065,856</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(7,998)		(7,998)
Net cash provided (used) by capital and related financing activities	<u>(7,998)</u>	<u>-</u>	<u>(7,998)</u>
Cash Flows from Investing Activities			
Receipt of interest income	17,751	926	18,677
Net cash provided (used) by investing activities	<u>17,751</u>	<u>926</u>	<u>18,677</u>
Net increase (decrease) in cash and cash equivalents	151,664	16,319	167,983
Balances, beginning of year	<u>1,033,208</u>	<u>61,592</u>	<u>1,094,800</u>
Balances, end of year	<u><u>\$1,184,872</u></u>	<u><u>\$77,911</u></u>	<u><u>\$1,262,783</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(\$4,201,408)	\$13,324	(\$4,188,082)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	7,782		7,782
On-behalf payments	681,936	27,361	709,297
Commodities received	260,238		260,238
Change in assets and liabilities			
Receivables - other	(6,452)		(6,452)
Inventory	21,531		21,531
Accounts payable		(251)	(251)
Accrued payroll & related expense	1,489	870	2,359
Accrued sick leave	8,337		8,337
Unearned revenue	(1,129)		(1,129)
Net pension liability	310,279	(32,461)	277,818
Net cash provided (used) by operating activities	<u><u>(\$2,917,395)</u></u>	<u><u>\$8,843</u></u>	<u><u>(\$2,908,552)</u></u>
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$260,238		\$260,238
Benefits paid by state of Kentucky on behalf of District	\$681,936	\$27,361	\$709,297

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

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018**

	<u>Agency Fund</u>	<u>Private Purpose Trust Fund</u>
Assets		
Cash and cash equivalents	\$598,389	\$106,755
Accounts receivable	<u>1,522</u>	<u> </u>
Total assets	<u><u>\$599,911</u></u>	<u><u>\$106,755</u></u>
Liabilities		
Accounts payable	\$5,995	
Due to student groups	<u>593,916</u>	<u> </u>
Total liabilities	<u><u>\$599,911</u></u>	<u><u>-</u></u>
Net Position		
Held in trust for private purpose		<u><u>\$106,755</u></u>

See independent auditor's report and accompanying notes to financial statements

**HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018**

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions	
Private donations	\$ 1,000
Net Investment Income (loss)	<u>2,323</u>
Total additions	3,323
 Deductions	
Scholarship awards	<u>13,000</u>
Changes in net position	(9,677)
Net position, beginning	<u>116,432</u>
Net position, ending	<u><u>\$ 106,755</u></u>

See independent auditor's report and accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1. Reporting Entity

The Hopkins County Board of Education (Board), a five member group, is a level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Hopkins County School District (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity, as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. 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 and account groups relevant to the operation of the Hopkins County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

These financial statements present the District and its component units, entities for which the District entity is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governmental entity's operations and so data from these units would be combined with data of the primary governmental entity. The Hopkins County School District has one blended component unit.

Blended Component Unit:

Hopkins County School District Finance Corporation - In 1989, the Hopkins County, Kentucky, Board of Education resolved to authorize the establishment of the Hopkins County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Hopkins County Board of Education also comprise the Corporation's Board of Directors.

2. Summary of Significant Accounting Policies**(a) Basis of Presentation**

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

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 reconciliation, 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

2. Summary of Significant Accounting Policies, continued**(a) Basis of Presentation, continued**

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

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. 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.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, those revenues are primarily charges for meals provided by the various schools. All revenues not meeting this definition are reported as nonoperating revenues. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

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

The District had the following funds:

Governmental Fund Types

- 1) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- 2) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
 - a) The Special Revenue (Grant) Fund accounts for proceeds of federal, state and local grants that are legally restricted to disbursements for specified purposes. Unused balances are returned to the grantor at the close of the specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
 - b) The District Activity Fund is used to account for funds to support co-curricular and extracurricular activities not raised or expended by student groups.
- 3) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by a proprietary fund).

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

2. Summary of Significant Accounting Policies, continued**(a) Basis of Presentation, continued**

- a) 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 for the corresponding debt service.
- (b) The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan and for the corresponding debt service.
- (c) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- 4) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Type

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has two enterprise funds: the School Food Service Fund and the Child Care Fund.

- 1) The School 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 contribution of commodities from the USDA. The School Food Service Fund is a major fund.
- 2) The Child Care Fund is used to account for child care activities in its three licensed child care centers.

Fiduciary Fund Types

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds). The Private Purpose Trust Fund is used to account for one separate scholarship- the Mary Florence Long Scholarship. All resources of this fund may be used to award scholarships in the areas specified in the trust arrangements.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The Agency Fund consists of activity funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

(b) Basis of Accounting

The government-wide financial statements, as well as the proprietary fund and fiduciary fund financial statements, are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

2. Summary of Significant Accounting Policies, continued

(b) Basis of Accounting, continued

Governmental fund financial statements are reported using the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenditures are generally recognized when the related liability is incurred.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include; (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the District must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

(c) 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 governmental 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. A capitalization threshold applies to tangible property costing \$5,000 or more and has a useful life of more than one (1) year, all computers regardless of value, and theft sensitive items that maybe identified by the District. 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

(d) Cash and Cash Equivalents/Restricted Cash/Investments

For purposes of the Statement of Cash Flows in the Proprietary Funds, the Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Cash is restricted in the general fund for the flexible spending account and in the capital

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

2. Summary of Significant Accounting Policies, continued

(d) Cash and Cash Equivalents/Restricted Cash/Investments, continued

projects funds per state requirements. Investments are restricted in the debt service fund per debt agreement. (See Notes 4 and 5)

Cash balances of the District's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District's accounts are insured, subject to FDIC and NCUSIF coverage terms and limitations. (See Note 4)

State statutes authorize the District to invest in obligations of the U.S. Treasury, U.S. Agencies, certain federal instruments, commercial bank's certificates of deposit savings and loan deposits, repurchase agreements, and the Commonwealth of Kentucky Investment Pool.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The district does not have any investments that are measured using Level 2 or Level 3 inputs.

The District has the following recurring fair value measurement as of June 30, 2018:

- Certificates of Deposit of \$444,550 are valued using quoted market prices (Level 1 inputs); the carrying amount approximated fair value due to the short-term highly liquid nature.

(e) Accounts Receivable

An allowance for doubtful accounts is provided for accounts receivable in the Food Service Fund. Accounts receivable are reported net of this allowance, which was \$2,611 as of June 30, 2018.

(f) Inventories/Commodities

Supplies and materials are charged to expenditures when purchased at the fund statement level, with the exception of the proprietary funds, which records inventory using the accrual basis of accounting. Similarly, due to the economic resources measurement focus, bus garage supply inventories are reported as an asset on the District-wide Statement of Net Position. Inventories are valued at cost or at their estimated fair value at the date of donation, using the first-in, first-out method. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. For the purposes of the statement of cash flows, a federal grant received does not include noncash commodities received in the amount of \$260,238.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

2. Summary of Significant Accounting Policies, continued**(g) Accrued Liabilities/Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. Bond discounts and premiums are netted against the bond principal and are amortized on a straight-line basis over the life of the bonds.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

(h) Net Position and Fund BalanceDistrict-Wide Financial Statements

Net position on the Statement of Net Position include the following:

Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Capital Projects/Debt Service – The components of net position that report the financial resources restricted to pay for construction activities (capital projects) or related debt service.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Investment in Capital Assets or Net Position Restricted for Capital Projects/Debt Service.

Governmental Fund Financial Statements

In July 2010, the District adopted Statement of Governmental Accounting standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, in the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned fund balance. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable fund balances are those amounts that cannot be spent because they are either: (1) generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts or (2) amounts that are required to be maintained intact, such as the principal of a permanent fund.

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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

2. Summary of Significant Accounting Policies, continued**(h) Net Position and Fund Balance, 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.

Assigned fund balances are those 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 results in the encumbrance of funds. Assigned fund balance also includes (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.

(i) 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 nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

(j) 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.

(k) 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.

(l) Compensated Absences (Accrued Sick Leave)

The Hopkins County School District allows employees to accumulate and carry over sick days from year to year. The amount of total days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive an amount up to thirty percent (30%) of the value of

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

2. Summary of Significant Accounting Policies, continued**(l) Compensated Absences (Accrued Sick Leave), continued**

accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to employees with more than twenty years of experience. Separation of employment for any reason other than retirement results in the employee forfeiting all accumulated sick and personal leave.

The entire accrued sick leave liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

(m) Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances is provided for at each year-end. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

(n) Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued. In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(o) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("TRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

(p) Other Post Employment Benefits-(OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers' Retirement System of the State of Kentucky ("TRS") and additions to/deductions from CER's and TRS's fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

2. Summary of Significant Accounting Policies, continued

(q) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

Deferred outflows related to pensions and OPEB are reported in the statement of net position. A deferred outflow from pension's and OPEB's results from System contributions made subsequent to the measurement date, difference between expected and actual experience, net difference between projected and actual investment earnings on pension and OPEB plan investments, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions. This amount from System contributions made subsequent to the measurement date are deferred and will be recognized as a reduction of net pension liability and net OPEB liability in the year ending June 30, 2019. The other components of deferred outflows are deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

Deferred outflows from a bond refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows related to pensions and OPEB are reported in the statement of net position. A deferred inflow from pension's and OPEB's results from net differences between expected and actual earnings on pension and OPEB plan investments and the changes in proportions in differences between employer contributions and proportionate share of contributions. This amount is deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

(r) Prepaid Expenses

Payments made that will benefit periods beyond June 30, 2018 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

(s) Recently Issued Accounting Standards

The following recently issued accounting standard was implemented by the District at July 1, 2017:

GASBS No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB) provided to the employees of state and local governmental employers. This Statement

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

2. Summary of Significant Accounting Policies, continued

(s) Recently Issued Accounting Standards, continued

establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense / expenditures, as well as the related required disclosures and required supplementary information. The Statement is effective for fiscal years beginning after June 15, 2017. The cumulative effect of this change in accounting principal is disclosed in Note 21.

3. Property Taxes

Property taxes collected are recorded as revenues in the Fund for which they were levied. Each year, property taxes are levied on October 1, based on assessments as of January 1 prepared by the Hopkins County property valuation administrator. The taxes are payable on November 1. The tax rates placed in effect are 68.6 cents per \$100 of assessed valuation on real estate and 68.6 on personal property, of which 6.1 cents is for participation in the Facility Support Program, and 54.7 cents per \$100 of assessed valuation on motor vehicles.

4. Deposits and Investments

At June 30, 2018, the carrying amount of the District's deposits was \$15,386,316 and the bank balance was \$17,179,122. Of the bank balances, \$950,025 was insured by federal depository insurance, \$16,207,705 was covered by collateral held by the pledging bank's agent and \$21,392 was federally insured by the National Credit Insurance Fund.

The District's deposits at June 30, 2018 consisted of the following:

	Bank Balance	Book Balance
Old National Bank - demand	\$ 60,416	\$ 59,454
Fifth Third Bank - demand	64,542	62,613
Hopkins County Credit Union - demand	21,392	21,392
First United Bank - demand	16,588,222	14,798,307
The Cecilian Bank - certificate of deposit	444,550	444,550
	<u>\$ 17,179,122</u>	<u>15,386,316</u>
Restricted cash		(344,633)
Restricted investments		(444,550)
Unrestricted cash and cash equivalents		<u>\$ 14,597,133</u>
Reported in the financial statements:		
Governmental funds: cash and cash equivalents (excluding petty cash of \$100)		\$ 12,629,206
Proprietary funds: cash and cash equivalents		1,262,783
Fiduciary funds: cash and cash equivalents		705,144
		<u>\$ 14,597,133</u>

5. Restricted Cash and Investments

Restricted cash at June 30, 2018 consists of the following:

Capital Projects Funds	
Construction Fund	344,633
	<u>\$ 344,633</u>

Restricted investments at June 30, 2018 consists of the following:

Debt Service Fund (QZAB certificate of deposit)	<u>\$ 444,550</u>
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HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

6. Capital Assets

During the year ended June 30, 2018, the following changes occurred in capital assets:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities:				
Not depreciated:				
Land and land improvements	\$ 2,069,657	\$ -	\$ -	\$ 2,069,657
Construction in progress	10,211,340	1,385,622	204,749	11,392,213
Totals not being depreciated	<u>12,280,997</u>	<u>1,385,622</u>	<u>204,749</u>	<u>13,461,870</u>
Depreciated:				
Buildings and improvements	68,821,464	227,994	-	69,049,458
Technology equipment	901,843	52,029	-	953,872
Vehicles	7,592,642	133,323	23,670	7,702,295
General equipment	4,330,027	71,354	-	4,401,381
Totals at historical cost	<u>81,645,976</u>	<u>484,700</u>	<u>23,670</u>	<u>82,107,006</u>
Less accumulated depreciation:				
Buildings and improvements	29,467,926	1,301,522	1,014	30,768,434
Technology equipment	733,481	48,793	-	782,274
Vehicles	5,729,583	412,844	23,670	6,118,757
General equipment	3,882,217	74,366	-	3,956,583
Total accumulated depreciation	<u>39,813,207</u>	<u>1,837,525</u>	<u>24,684</u>	<u>41,626,048</u>
Depreciated assets, net	<u>41,832,769</u>	<u>(1,352,825)</u>	<u>(1,014)</u>	<u>40,480,958</u>
Governmental Activities Capital Assets - Net	<u>\$ 54,113,766</u>	<u>\$ 32,797</u>	<u>\$ 203,735</u>	<u>\$ 53,942,828</u>
Business-Type Activities:				
Depreciated:				
General equipment	\$ 1,032,784	\$ 7,998	\$ 10,400	\$ 1,030,382
Technology equipment	8,149	-	-	8,149
Totals at historical cost	<u>1,040,933</u>	<u>7,998</u>	<u>10,400</u>	<u>1,038,531</u>
Less accumulated depreciation:				
General equipment	1,008,178	7,782	10,400	1,005,560
Technology equipment	8,149	-	-	8,149
Total accumulated depreciation	<u>1,016,327</u>	<u>7,782</u>	<u>10,400</u>	<u>1,013,709</u>
Business-Type Activities Capital Assets - Net	<u>\$ 24,606</u>	<u>\$ 216</u>	<u>\$ -</u>	<u>\$ 24,822</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 47,632
Support services:	
Student	9,532
Instruction staff	0
District administrative	25,766
School administrative	29,689
Business	1,984
Plant operation and maintenance	1,380,475
Student transportation	<u>342,447</u>
Total depreciation expense	<u>\$ 1,837,525</u>

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

7. Long-Term Debt

Bonds

The District issues bonds to provide funds for the acquisition and construction of major capital facilities and improvements. The original amount of the issue, the issue dates and interest rates are summarized below:

Issue	Original Amount	Interest Rates
Issue of 2004 (BSMS)	10,000,000	1.90% - 4.375%
Issue of 2004 (QZAB)	500,000	N/A (tax credits, in lieu of)
Issue of 2007 (Refunding) (MNHHS)	3,605,000	3.70% (term)
Issue of 2009 (Energy)	5,150,000	2.00% - 4.50%
Issue of 2009 (Refunding-WBES,EES,HES,WHS)	2,705,000	2.00% - 3.50%
Issue of 2011A (Career & Technical Center)	9,030,000	2.00% - 4.625%
Issue of 2011B (Refunding 2001)	9,320,000	2.00% - 3.00%
Issue of 2012 (Refunding 2004-BSMS)	9,150,000	1.00% - 2.375%
Issue of 2013 (Refunding 2005-BSMS)	1,215,000	1.70% - 2.10%
Issue of 2014 (HCCTCII)	4,155,000	2.25% - 3.125%
Issue of 2016 (Refunding 2009 Energy Bonds)	2,745,000	1.00% - 2.25%
Issue of 2016 (Refunding 2006 PES)	955,000	1.00% - 3.00%
Issue of 2017A (Refunding 2014 BAN)	2,395,000	1.25% - 3.50%
Issue of 2017B (Refunding 2004 BSMS & 2007 MNHHS)	3,040,000	5.00%
Issue of 2017C (Refunding 2011 A Career & Technical Center)	4,100,000	2.00% - 3.00%

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series of 2004, dated October 15, 2004 in the amount of \$10,000,000 were issued for the purpose of financing the cost, not otherwise provided, of the construction of a school building project consisting of the additions and renovations of Browning Springs Middle School.

Hopkins County School District Finance Corporation Qualified Zone Academy Bonds, Series of 2004, dated December 21, 2004 in the amount of \$500,000 were issued for the purpose of providing funds to pay the cost, not otherwise provided, of renovating the Browning Springs Middle School. A certificate of deposit was purchased (currently \$406,090) bearing interest at 4.55% which will mature in December, 2020. Interest earned is reinvested annually into the certificate of deposit. The maturity and interest rate were determined in order to yield an amount at maturity of \$500,000, sufficient to retire the \$500,000 QZAB bond upon its maturity.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2007, dated December 18, 2007, in the amount of \$3,605,000 were issued to (i) provide for the payment of the interest on the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 1998-A, dated January 1, 1998, scheduled to mature on and after January 1, 2010 (the "Refunded Bonds"), on each January 1 and July 1 through January 1, 2023; (ii) provide for the redemption of the Refunded Bonds on January 1, 2010, at a redemption price of 102% of the principal amount redeemed; and (iii) provide for the payment of the costs of issuance incurred in connection with the Bonds. This refunding was undertaken to reduce total debt service payments over the next fifteen years by \$233,655 and resulted in an economic gain of \$182,996. In January, 2010, the remaining balance of the 1998-A bonds were redeemed.

Hopkins County School District Finance Corporation Energy Conservation Revenue Bonds, Series 2009 dated May 5, 2009 in the amount of \$5,150,000, were issued for the acquisition, installation, and construction of energy conservation measures at various schools in the Hopkins County School District.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

7. Long-Term Debt, continued

Bonds, continued

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2009, dated May 20, 2009, in the amount of \$2,705,000 were issued to (i) provide for refunding of the Hopkins County School District Finance Corporation School Building Revenue Bonds Series 1999-A, at a redemption price of 101% of the principal amount redeemed; and (ii) provide for the refunding of the Hopkins County School District Finance Corporation School Building Revenue Bonds Series 2000, at a redemption price of 101%. Net proceeds of \$843,531 were placed in an escrow account from which State and Local Government Securities (SLGS) were purchased for the purpose of generating resources for the future debt service payments on \$795,000 of refunded debt. As a result, \$795,000 of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2000 were considered to be defeased and the liability was removed from long-term debt. This refunding (1999-A) and advance refunding (2000) was undertaken to reduce total debt service payment over the next eleven years by \$230,031 and resulted in an economic gain of \$195,233. The outstanding balance of the defeased 2000 bonds was \$205,000 as of June 30, 2018.

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2011A dated April 5, 2011, in the amount of \$9,030,000 were issued to finance the construction of a new single story, approximately 39,700 square foot, career and technology center.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2011B, dated April 19, 2011, in the amount of \$9,320,000, were issued for the purpose of refunding the outstanding Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2001, dated January 15, 2001, scheduled to mature on and after June 1, 2012. The redemption price is 101% resulting in a redemption call premium of \$90,850. This refunding was undertaken to reduce total debt service payments over the next nine years by \$969,523 and resulted in an economic gain of \$889,520. In June, 2012 the remaining balance of the defeased 2001 bonds were redeemed.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2012 dated February 7, 2012 in the amount of \$9,150,000, were issued for the purpose of refunding through escrow a portion of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2004, dated October 15, 2004, scheduled to mature on and after October 1, 2020 (the "Bonds of 2004"), issued by the Corporation by providing for the payment of the interest on the Bonds of 2004 due and payable on and prior to October 1, 2014, and by calling for redemption on October 1, 2014 (the first permissible date at a redemption price of 100%), all of the Bonds of 2004 scheduled to mature on and subsequent to October 1, 2020, in order to obtain substantial savings in interest costs. Net proceeds of \$8,941,276 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$9,007,506 of refunded debt. As a result, \$7,990,000 of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2004 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$655,956 and resulted in an economic gain of \$583,834. In October, 2017 the remaining balance of the defeased 2004 bonds were redeemed.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2013 dated February 5, 2013 in the amount of \$1,215,000, were issued for the purpose of refunding through escrow a portion of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2005, dated August 1, 2005, scheduled to mature on and after August 1, 2016 (the "Bonds of 2005"), issued by the Corporation by providing for the payment of the interest on the Bonds of 2005 due and payable on and prior to August 1, 2015, and by calling for redemption on August 1, 2015 (the first permissible date at a redemption price of 100%), all of the Bonds of 2005 scheduled to mature on and subsequent to August 1, 2016, in order to obtain substantial savings in interest costs. Net proceeds of \$1,173,618 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$1,372,220 of refunded debt. As a result, \$1,070,000 of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2005 are considered to be defeased and

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

7. Long-Term Debt, continued

Bonds, continued

the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$67,695 and resulted in an economic gain of \$61,516. The outstanding balance of the defeased 2005 bonds was \$890,000 as of June 30, 2018.

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2014 dated July 2, 2014, in the amount of \$4,155,000 were issued to finance the construction of a new single story, approximately 39,736 square foot, career and technology center.

Hopkins County School District Finance Corporation Energy Conservation Refunding Revenue Bonds, Series 2016 dated June 9, 2016 in the amount of \$2,745,000 were issued for the purpose of providing funds, not otherwise provided, for the advance refunding through escrow of the Hopkins County School District Finance Corporation Energy Conservation Revenue Bonds, Series 2009, dated May 5, 2009, maturing on or after May 1, 2022. Net proceeds of \$2,691,643 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$2,769,975 of refunded debt. As a result, \$2,475,000 of the Hopkins County School District Finance Corporation Energy Conservation Revenue Bonds, Series 2009 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$172,492 and resulted in an economic gain of \$154,178. The outstanding balance of the defeased 2009 bonds was \$2,475,000 as of June 30, 2018.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2016 dated February 25, 2016 in the amount of \$955,000 were issued for the purpose of providing funds, not otherwise provided, for the advance refunding through escrow of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2006, dated November 1, 2006, maturing on or after November 1, 2017. Net proceeds of \$937,825 were placed in an escrow account from which \$17,863 was to make a partial 05/01/2016 interest payment on the 2006 series bonds refunded with the remaining \$919,962 to purchase U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$940,725 of refunded debt. As a result, \$905,000 of the Hopkins County School District Finance Corporation Building Revenue Bonds, Series 2006 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$52,490 and resulted in an economic gain of \$49,914. The outstanding balance of the defeased 2006 bonds was \$830,000 as of June 30, 2018.

Hopkins County School District Finance Corporation Refunding Revenue Bonds, Series 2017A dated May 4, 2017 in the amount of \$2,395,000 were issued for the purpose of providing funds, not otherwise provided, for the refunding of the Hopkins County School District Finance Corporation Bond Anticipation Notes Series 2014, dated July 2, 2014, maturing on or after August 1, 2017. Net proceeds of \$2,361,345 were deposited into an Old National Wealth Management Series 2014 Sinking Fund account for the purpose of calling for redemption on May 8, 2017 the 2014 issue of Bond Anticipation Notes. The proceeds into the Series 2014 Sinking Fund represent principal of \$2,355,000 on the 2014 Bond Anticipation Notes and \$6,345 of interest. As a result, \$2,355,000 of the Hopkins County School District Finance Corporation Bond Anticipation Notes, Series 2014 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to convert a short-term debt Bond Anticipation Note into a long term debt bond. This refunding resulted in no reduction of total debt service payments over the life of the bond and resulted in no economic gain. In May, 2017 the remaining balance of the defeased 2014 BAN's were redeemed

Hopkins County School District Finance Corporation Refunding Revenue Bonds, Series 2017B dated August 30, 2017 in the amount of \$3,040,000 were issued for the purpose of providing funds, not otherwise provided, for the refunding of the Hopkins County School District Finance Corporation Bond Series 2004 and Bond Series 2007, dated October 15, 2004 and December 18, 2007, respectively. The 2004 Series matures on or after October 1, 2019. The 2007 Series matures on or after January, 1 2023. Net proceeds of \$3,291,585 were deposited into a

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

7. Long-Term Debt, continued

Bonds, continued

Bond Fund account for the purpose of calling for redemption the 2004 Bond issue and 2007 Bond issue on October 1, 2017 and January 1, 2018, respectively. The proceeds into the Series 2004 Bond Fund represent principal of \$1,260,000 and interest of \$699. The proceeds into the Series 2007 Bond Fund represent principal of \$1,995,000 and interest of \$36,908. As a result, \$1,260,000 of the Hopkins County School District Finance Corporation Bond Series 2004 and \$1,995,000 of the Hopkins County School District Finance Corporation Bond Series 2007 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next six years by \$165,129 and resulted in an economic gain of \$159,517. The remaining balance of the defeased 2004 Bonds and 2007 Bonds were redeemed in October, 2017 and January, 2018, respectively.

Hopkins County School District Finance Corporation Refunding Revenue Bonds, Series 2017C dated August 30, 2017 in the amount of \$4,100,000 were issued for the purpose of providing funds, not otherwise provided, for the refunding of the Hopkins County School District Finance Corporation Bond Series 2011A, dated April 5, 2011, maturing on or after April 1, 2031. Net proceeds of \$4,194,864 were deposited into a 2011 Escrow Fund account for the purpose of calling the 2011A Bond issue for redemption on April 1, 2026 and thereafter and to pay interest on the refunded bonds to the call date. The proceeds into the Series 2011 Escrow Fund represent \$4,193,755 to purchase a portfolio of securities provided by Wells Fargo Bank and \$973 will remain on hand in the Series 2011 Escrow Fund. The portfolio of securities was purchased for the purpose of generating resources for the future debt service payments of \$4,409,575 on refunded debt. As a result, \$3,760,000 of the Hopkins County School District Finance Corporation Bond Series 2011A are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next fourteen years by \$283,670 and resulted in an economic gain of \$252,528. The outstanding balance of the defeased 2011A bonds was \$3,760,000 as of June 30, 2018.

Participation Agreements

The District entered into participation agreements with the Kentucky School Facilities Construction Commission (KSFCC). The Commission was created by the Kentucky legislature for the purpose of assisting local school districts in meeting school construction needs. Receipts from the KSFCC are recorded as intergovernmental-state revenue in the Debt Service Fund. 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 (See Note 14).

Insurance Assessment

The Kentucky School Boards Insurance Trust (KSBIT) has notified all past and present members that they will be assessed to make up for a growing deficit in the Workers' Compensation Self-Insurance Fund. In August, 2014 the District recorded a liability of \$301,477. The District financed the Workers' Compensation liability portion through an interest free loan from KSBIT over 6 years after a 25% down payment. Annual payments are \$37,685.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

7. Long-Term Debt, continued

Maturities

The annual debt service requirements to maturity for long-term debt payable as of June 30, 2018 are as follows:

	Hopkins County Board of Education		School Facilities Construction Commission		Total Interest	Total Principal	Total Requirement
	Interest	Principal	Interest	Principal			
2018-19	699,747	2,276,037	233,434	843,963	933,181	3,120,000	4,053,181
2019-20	598,913	2,378,345	214,122	646,655	813,035	3,025,000	3,838,035
2020-21	514,075	2,997,723	200,184	547,277	714,259	3,545,000	4,259,259
2021-22	442,966	2,579,205	188,267	560,795	631,233	3,140,000	3,771,233
2022-23	369,394	2,669,221	173,918	575,779	543,312	3,245,000	3,788,312
2023-24	285,582	2,783,846	158,079	586,154	443,661	3,370,000	3,813,661
2024-25	213,633	2,873,161	140,619	606,839	354,252	3,480,000	3,834,252
2025-26	162,401	2,266,947	121,768	633,053	284,169	2,900,000	3,184,169
2026-27	97,642	1,609,444	105,514	490,556	203,156	2,100,000	2,303,156
2027-28	58,505	843,426	93,464	416,574	151,969	1,260,000	1,411,969
2028-29	36,194	551,517	81,763	428,483	117,957	980,000	1,097,957
2029-30	22,277	144,050	67,991	460,950	90,268	605,000	695,268
2030-31	17,966	58,663	52,240	481,337	70,206	540,000	610,206
2031-32	16,000	70,000	35,200	250,000	51,200	320,000	371,200
2032-33	13,638	75,000	25,000	260,000	38,638	335,000	373,638
2033-34	11,106	75,000	14,300	275,000	25,406	350,000	375,406
2034-35	8,575	80,000	4,400	220,000	12,975	300,000	312,975
2035-36	5,775	80,000			5,775	80,000	85,775
2036-37	2,975	85,000			2,975	85,000	87,975
TOTALS	<u>\$ 3,577,364</u>	<u>\$ 24,496,585</u>	<u>\$ 1,910,263</u>	<u>\$ 8,283,415</u>	<u>\$ 5,487,627</u>	<u>\$ 32,780,000</u>	<u>\$ 38,267,627</u>

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

7. Long-Term Debt, continued

Maturities, continued

During the year ended June 30, 2018, the following changes occurred in the long-term debt:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental activities:					
Revenue bonds:					
Issue of 2004 (BSMS)	1,285,000	-	1,285,000	-	-
Issue of 2004 (QZAB)	500,000	-	-	500,000	-
Issue of 2007 (Refunding)	2,285,000	-	2,285,000	-	-
Issue of 2009 (Energy)	990,000	-	235,000	755,000	245,000
Issue of 2009 (Refunding-var.)	685,000	-	285,000	400,000	295,000
Issue of 2011A (CTC)	7,855,000	-	4,010,000	3,845,000	265,000
Issue of 2011B (Refunding)	2,735,000	-	1,350,000	1,385,000	1,385,000
Issue of 2012 (Refunding-BSMS 2004)	8,590,000	-	115,000	8,475,000	115,000
Issue of 2013 (Refunding-BSMS 2005)	1,045,000	-	110,000	935,000	110,000
Issue of 2014 (HCCTCII)	3,805,000	-	175,000	3,630,000	175,000
Issue of 2016 (Refunding- Energy 2009)	2,710,000	-	30,000	2,680,000	30,000
Issue of 2016 (Refunding- PES 2006)	935,000	-	85,000	850,000	90,000
Issue of 2017A (Refunding-BAN 2014)	2,395,000	-	130,000	2,265,000	120,000
Issue of 2017B (Refunding-2004 BSMS & 2007)	-	3,040,000	-	3,040,000	260,000
Issue of 2017C (Refunding-2011A)	-	4,100,000	80,000	4,020,000	30,000
Total bonds payable	<u>35,815,000</u>	<u>7,140,000</u>	<u>10,175,000</u>	<u>32,780,000</u>	<u>3,120,000</u>
Unamortized premium/discount	(349,083)	377,185	(203,053)	231,155	42,699
Net bonds payable	<u>35,465,917</u>	<u>7,517,185</u>	<u>9,971,947</u>	<u>33,011,155</u>	<u>3,162,699</u>
Capital leases	377,708	-	39,545	338,163	41,428
Compensated absences	802,584	-	167,252 (A)	635,332	253,230
Insurance assessment	113,053	-	37,685	75,368	37,685
Net OPEB liability	22,661,595	1,656,568	-	24,318,163	-
Net pension liability	17,091,682	2,940,594	-	20,032,276	-
	<u>\$ 76,512,539</u>	<u>\$ 12,114,347</u>	<u>\$ 10,216,429</u>	<u>\$ 78,410,457</u>	<u>\$ 3,495,042</u>
Business-type activities:					
Net OPEB liability	\$ 785,440	215,923	-	\$ 1,001,363	-
Net pension liability	2,574,717	340,840	-	2,915,557	-
Compensated absences	34,990	8,337	-	43,327	11,807
	<u>\$ 3,395,147</u>	<u>\$ 565,100</u>	<u>\$ -</u>	<u>\$ 3,960,247</u>	<u>\$ 11,807</u>

(A) This amount represents the net change in compensated absences, ie, days earned less days taken and/or paid.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

8. Capital Lease Obligations

The District has entered into various lease agreements with KISTA for financing the acquisitions of school buses. The KISTA lease payments are paid by the General Fund and reported as debt service. The capital lease obligations are included in depreciation expense and allocated to the student transportation function. The following is an analysis of leased property under capital leases by class:

<u>KISTA Leases</u>	<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
2017	Vehicles(4 buses)	\$377,708	\$38,794

The following is a schedule by years of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2018:

<u>Year Ending June 30,</u>	<u>Capital Lease Obligations</u>
2019	50,051
2020	42,949
2021	42,939
2022	42,906
Remaining five years thereafter,	202,050
Total minimum lease payments	380,895
Less: Amount representing interest	(42,732)
Present Value of Net Minimum Lease Payments	<u>\$ 338,163</u>

9. Defined Contribution Plans

The District makes available various 401(k) and 403(b) defined contribution pension plans for all regular full-time and part-time employees. These Plans are administered by independent third party administrators. Employees are allowed to contribute any amount to the Plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to the Plans, but retains authority to amend or terminate these plans. During the year ended June 30, 2018, employees of the District contributed \$265,181 to 401(k) plans and \$127,069 to 403(b) plans.

10. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements. The District does not contribute to these plans. Employees of the District contributed \$148,359 to these plans during the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

11. Pension Benefits – Teachers' Retirement System of the State of Kentucky

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

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

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

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

Contributions- Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System. The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

The Hopkins County School District's total payroll for the year was \$38,594,402. The payroll for employees covered under TRS was \$28,911,067. For the year ended June 30, 2018, the Commonwealth contributed \$8,907,732 to TRS for the benefit of our participating employees. The District's contributions to TRS for the years ending June 30, 2018, 2017 and 2016 were \$867,332, \$837,603, and \$848,883, respectively, which represent 100% of the required contributions for those employees covered by federal programs.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

11. Pension Benefits – Teachers' Retirement System of the State of Kentucky, continued

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

Because the State, as a non-employer contributing entity, is required by Kentucky Revised Statutes to contribute 100% of the District's contractually required contributions, the District reports no pension liabilities, pension expenses, deferred outflows of resources, or deferred inflows of resources related to TRS.

The portion of the TRS net pension liability that was associated with the District recognized at June 30, 2018, was as follows:

District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>250,714,485</u>
Total	<u>\$ 250,714,485</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the measurement date, the State's proportion of the TRS net pension liability associated with the District was 0.9292% percent which was a decrease of 0.0195 from its proportion measured as of June 30, 2016 (0.9487%).

For the year ended June 30, 2018, the District recognized on-behalf pension expense and revenue of \$8,907,732 for contributions provided by the State.

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

Inflation	3.00%
Salary increases, including inflation	3.50% to 7.30%
Long-term Investment rate of return, net of pension plan investment expense & inflation	7.50%
Municipal Bond Index Rate:	
Prior Measurement Date	3.01%
Measurement Date	3.56%
Year FNP is projected to be depleted	2038
Single Equivalent Interest Rate, net of pension plan investment expense & inflation:	
Prior Measurement Date	4.20%
Measurement Date	4.49%
Post-Retirement Benefit Increases	1.50% annually

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

11. Pension Benefits – Teachers' Retirement System of the State of Kentucky, continued

Actuarial Assumptions, continued

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	42.0%	4.4%
International Equity	20.0%	5.3%
Fixed Income	16.0%	1.5%
Additional Categories	9.0%	3.6%
Real Estate	5.0%	4.4%
Private Equity	6.0%	6.7%
Cash	2.0%	0.8%
Total	100.0%	

Discount Rate- The discount rate used to measure the total pension liability (TPL) as of the Measurement Date was 4.49%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. TRS assumed that Plan member contributions will be made at the current contribution rates and that employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2038 plan year, and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 4.49% was calculated using the Municipal Bond Index Rate as of the Measurement Date (3.56%). This change in the discount rate is considered a change in actuarial assumptions or other under inputs under GASB 68.

Sensitivity of the District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate—The following presents the State's proportionate share of the net pension liability associated with the District using the discount rate of 4.49% as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.49%) or 1-percentage-point higher (5.49%) than the current rate:

	<u>1% Decrease 3.49%</u>	<u>Current Discount Rate 4.49%</u>	<u>1% Increase 5.49%</u>
State's proportionate share of net pension liability associated with the District	325,494,588	250,714,485	210,950,822

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

11. Pension Benefits – Teachers' Retirement System of the State of Kentucky, continued

Plan Fiduciary Net Position- Detailed information about the TRS fiduciary net position is available in the publicly available financial report.

Payable to the Pension Plan- Because the State is required by statute to contribute 100% of the District's contractually required pension contributions, the District reports no payable for such pension contributions at June 30, 2018.

12. Other Postemployment Benefits – Teachers' Retirement System of the State of KentuckyOther Postemployment Benefits (OPEB)

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

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

Medical Insurance Plan (MIP)

Plan description – In addition to the pension benefits described in Note 11 Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The MIP is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

Contributions – In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from State appropriation and three percent (3.00%) from the employer. The State contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010, who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2018, the District reported a liability for its proportionate share of the collective net OPEB MIP liability and the related deferred outflows or deferred inflows.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

12. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky, continued

Life Insurance Plan (LIP)

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

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

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the State. Employers do not contribute to the LIP.

At June 30, 2018, the District did not report a liability for a proportionate share of the collective net OPEB LIP liability, nor any related deferred outflows or deferred inflows, because the State of Kentucky provides the OPEB LIP support directly to TRS on behalf of the District, and the District does not contribute to the LIP.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At June 30, 2018, the District reported a liability of \$17,438,000 for its proportionate share of the collective net MIP OPEB liability that reflected a reduction for state MIP OPEB support provided to the District. The collective net MIP OPEB liability was measured as of June 30, 2017, and the total MIP OPEB liability used to calculate the collective net MIP OPEB liability was based on a projection of the District's long-term share of contributions to the MIP OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.489042 percent. The District's proportion was not measured at June 30, 2016 prior to issuance of GASBS No. 75, and thus the change in the proportion is not disclosed.

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

	<u>MIP</u>	<u>LIP</u>
District's proportionate share of the net OPEB liability	17,438,000	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>14,244,000</u>	<u>191,000</u>
Total	<u>\$ 31,682,000</u>	<u>\$ 191,000</u>

For the year ended June 30, 2018, the District recognized MIP OPEB expense of \$368,535 and on-behalf MIP revenue of \$692,794 for support provided by the State. For the year ended June 30, 2018, the District recognized on-behalf LIP OPEB expense of \$11,743 and revenue of \$11,743 for support provided by the State. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to the MIP OPEB from the following sources:

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

12. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky, continued

	MIP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Assumption changes	-	-
Net difference between projected and actual investment earnings on OPEB plan investments	-	225,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>867,332</u>	<u>-</u>
Total	<u>\$ 867,332</u>	<u>\$ 225,000</u>

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, \$867,332 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net MIP OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MIP OPEB will be recognized in the District's MIP OPEB expense as follows:

<u>Year ended June 30:</u>	
2019	\$(56,000)
2020	\$(56,000)
2021	\$(56,000)
2022	<u>\$(56,000)</u>
Total	<u>\$(224,000)</u>

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

12. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky, continued

Actuarial assumptions – The total MIP and LIP OPEB liabilities in the June 30, 2016 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return, net of	
OPEB plan investment expense & inflation:	
MIP	8.00%
LIP	7.50%
Projected salary increases	3.50% to 7.20%, including inflation
Inflation Rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates,	
MIP only:	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate:	
MIP	8.00%
LIP	7.50%
Single Equivalent Interest Rate, net of	
OPEB plan investment expense & inflation:	
MIP	8.00%
LIP	7.50%

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

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

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

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

12. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky, continued

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

Asset Class	Target Allocation		MIP and LIP 30 Year Expected Geometric Real Rate of Return
	MIP	LIP	
Global Equity	60.00%	0.0%	5.1%
U.S. Large Cap Equity	0%	38.4%	4.3%
U.S. Small Cap Equity	0%	2.6%	4.8%
Developed Int'l Equity	0%	15.8%	5.2%
Emerging Markets Equity	0%	4.2%	5.4%
Fixed Income	9.0%	16.0%	1.2%
Real Estate	4.5%	6.0%	4.0%
Private Equity	5.5%	7.0%	6.6%
High Yield	10.0%	2.0%	4.3%
Other Additional Categories	10.0%	7.0%	3.3%
Cash (LIBOR)	1.0%	1.0%	0.5%
Total	<u>100.0%</u>	<u>100.0%</u>	

Discount rate- The discount rates used to measure the total MIP and LIP OPEB liabilities were 8.00% and 7.50%, respectively. 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 MIP employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liabilities.

Sensitivity of the District's proportionate share of the collective net MIP OPEB liability to changes in the discount rate- The following table presents the District's proportionate share of the collective net MIP OPEB liability, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net MIP OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net MIP OPEB liability	20,307,273	17,438,000	15,050,334

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

12. Other Postemployment Benefits – Teachers' Retirement System of the State of Kentucky, continued

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net MIP OPEB liability	14,603,953	17,438,000	20,937,489

OPEB plans' fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial reports.

Payable to the OPEB Plans – The District reported payables of \$0 for the outstanding amount of MIP and LIP OPEB contributions due to the Plans at June 30, 2018.

13. Pension and Other Postemployment Benefits- County Employees Retirement System

Plan Description - Substantially, all other employees (classified personnel) are covered under the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension / OPEB plan administered by Kentucky Retirement Systems (KRS). CERS covers members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems (Board). KRS issues a publically available financial report that can be obtained at www.kyret.ky.gov or by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-696-8000.

Benefits Provided - CERS provides for retirement, disability, and death benefits to system members through its Pension Fund, as well as other postemployment benefits (OPEB) for hospital and medical insurance through its Insurance Fund.

Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member's final compensation; benefit factors set by statute which vary depending upon the type / amount of service, participation date, and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008 are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 4 years of service credit. Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member's age and years of service equal 87, or at age 65 with at least 5 years of service credit.

Other postemployment benefits provided by CERS consist of prescribed contributions for whole or partial payments of required premiums to purchase hospital and medical insurance.

Contributions – State statute requires active members to contribute 5% of creditable compensation. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the KRS Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565 and KRS 61.752.

The District's actuarially determined contribution amounts, based on annual creditable compensation for the years ended June 30, 2018, 2017 and 2016 were \$1,813,598, \$1,821,714, and \$1,470,072, respectively, equal to the required contributions for each year.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Contributions, continued

The District's actuarially determined contribution rates and contribution amounts, based on annual creditable compensation for the years ended June 30, 2018, were as follows:

	<u>Contribution Rates</u>	<u>Contributions</u>
Pension	14.48%	\$ 1,369,181
OPEB	4.70%	444,417
Total	<u>19.18%</u>	<u>\$ 1,813,598</u>

Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions and OPEB – The net pension and OPEB liabilities reported as June 30, 2018, were measured as of June 30, 2017, and the total pension and OPEB liabilities used to calculate the net pension liability and net OPEB liability were determined by an actuarial valuation as of June 30, 2016. The District's proportion of the liabilities was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2017, measurement date, the District's pension and OPEB proportion was 0.392049%, a decrease of 0.007381 from its proportion measured as of June 30, 2016, of 0.399430%.

The District's pension and OPEB liabilities and expense as of and for the year ended June 30, 2018, were as follows:

	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>
Proportionate Share	\$ 22,947,833	\$ 7,881,526
Pension/OPEB Expense	<u>\$ 2,525,423</u>	<u>\$ 367,175</u>

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

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

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>OPEB</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability experience	\$ 28,463	\$ 582,514	\$ -	\$ 21,891
Assumption changes	4,234,497	-	1,714,970	-
Investment experience	1,817,441	1,533,603	-	372,477
Changes in proportion and differences between District contributions and proportionate share of contributions	158,218	241,446	-	18,288
District contributions subsequent to the measurement date	<u>1,369,180</u>	<u>-</u>	<u>540,743</u>	<u>-</u>
Total	<u>\$ 7,607,799</u>	<u>\$ 2,357,563</u>	<u>\$ 2,255,713</u>	<u>\$ 412,656</u>

The \$1,369,181 and \$540,743 of deferred outflows of resources resulting from the District's pension and OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension and OPEB expense as follows:

<u>Year ending June 30,</u>	<u>Pension</u>	<u>OPEB</u>
2019	\$ 1,699,845	\$ 224,076
2020	729,169	224,076
2021	(294,662)	224,076
2022	-	317,195
Thereafter	-	88,815
	<u>\$ 2,134,352</u>	<u>\$ 1,078,238</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Actuarial assumptions—The total pension / OPEB liabilities in the June 30, 2016 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases, average	2.00%
Investment rate of return, net of investment expense & inflation	6.25%
Healthcare cost trend rates (OPEB)	Initial trend starting at 7.50% for Pre-65, or 5.5% for Post-65, and gradually decreasing to an ultimate trend rate of 5.0% over a period of 5 years for Pre-65, or 2 years for Post-65

Mortality rates were based on the following assumptions and assume a margin for future mortality improvement:

Pre-retirement mortality: RP-2000 Combined Mortality Table projected with Scale BB to 2013. Male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%.

Post-retirement mortality (non-disabled): RP-2000 Combined Mortality Table projected with Scale BB to 2013. Female mortality rates are set back one year.

Post-retirement mortality (disabled): RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013. Male mortality rates are set back four years.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the five year period ended June 30, 2013.

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continuedActuarial assumptions, continued

Discount Rate - The discount rates used to measure the total pension / OPEB liabilities at the measurement dates and changes since the prior year were as follows:

	<u>Pension</u>	<u>OPEB</u>
Discount rate, June 30, 2016	7.50%	6.89%
Increase(decrease)	<u>(1.25%)</u>	<u>(1.05%)</u>
Discount rate, June 30, 2017	<u>6.25%</u>	<u>5.84%</u>

The discount rate of 6.25% used to measure the total pension liability was based on the expected rate of return on pension plan investments. The discount rate of 5.84% used to measure the total OPEB liability was based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017.

The projection of cash flows used to determine the discount rates is based on the assumption that each participating employer in CERS will contribute the actuarially determined contribution rates, which are determined using a closed funding period (26 years as of June 30, 2017), as well as the actuarial assumptions and methods adopted by the KRS Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the system. However, the cost associated with the OPEB implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the OPEB implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the OPEB implicit subsidy.

Sensitivity of the District's Proportionate Share of the Net Pension and OPEB Liabilities to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension / OPEB liabilities, as well as what the District's proportionate share of the net pension / OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>District's porportionate share</u>		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	5.25%	6.25%	7.25%
Net Pension Liability	28,942,178	22,947,833	17,933,609
	4.84%	5.84%	6.84%
Net OPEB Liability	10,028,805	7,881,526	6,094,652

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trends Rates - The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current healthcare cost trend rate</u>	<u>1% Increase</u>
	7.5% Pre-65 or 5.5% Post-65 decreasing to 4%	8.5% Pre-65 or 5.5% Post-65 decreasing to 5%	9.5% Pre-65 or 5.5% Post-65 decreasing to 6%
District's Proportionate Share of Net OPEB Liability	6,045,536	7,881,526	10,268,205

Plan Fiduciary Net Position - Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

Payables to the Pension / OPEB Plans - The District reported the following payables for the outstanding amount of pension/OPEB contributions due to CERS for the year ended June 30, 2018:

<u>Pension</u>	<u>OPEB</u>
\$ -	\$ -

14. 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 based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or to refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue its programs.

As shown in Note 7, the Kentucky School Facilities Construction Commission (KSFCC) is assisting the District with the repayment of the Bond Series 1996(100%), 2005(100%), 2006(100%), 2008(59%), 2009Ref(100%), 2011A(36%), 2005(100%), 2014 (100%), 2016 Revenue Refunding (100%), 2017C Revenue Refunding(35%). In the unlikely event the KSFCC defaults on their portion of the bond series, the District is responsible to repay the amount in full. KSFCC's portion as of June 30, 2018, was \$10,193,678.

Per an annexation agreement dated June 16, 1998, the Dawson Springs Independent School District (DSISD) agreed to be responsible for the debt service on certain outstanding bonds through 2019. DSISD paid \$10,770 during the year to the District and the balance of the obligation was \$10,789 as of June 30, 2018. Should the DSISD not fulfill its obligation, the District is responsible for the full amount of the debt service. It is the District's policy to recognize the amounts received each year as income from other local governments.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

15. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District bought a commercial insurance policy. The District pays an annual premium for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

16. Deficit Operating/Fund Balances

There are funds of the District that currently have a deficit net position because of the implementation of GASB 68 and other funds have operations that resulted in a current year deficit of revenues under expenditures and other financing uses resulting in a corresponding reduction of fund balance. The operating deficits were funded by available resources at the beginning of the year.

	<u>Operations</u>	<u>Net Position</u>
Food Service Fund	\$ 182,175	\$ 1,716,856
Child Care Fund		\$ 102,246

17. COBRA

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

18. Interfund Balances and Transfers

There were no interfund balances as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

18. Interfund Balances and Transfers, continued

The following transfers were made during the year ended June 30, 2018:

From Fund	To Fund	Purpose	Amount
Nonmajor Governmental Funds:			
Capital Projects (Building Fund)	Debt Service	Bond payments	\$ 2,363,981
Capital Projects (Capital Outlay)	Debt Service	Bond payments	418,973
Capital Projects (Capital Outlay)	General Fund	FSPK Building	184,854
Total Nonmajor Governmental Funds			<u>2,967,808</u>
General Fund	Special Revenue	Matching (KETS)	126,805
General Fund	Special Revenue	Matching (SEFP)	7,684
Construction Fund	Debt Service	FSPK Building	226,145
General Fund	Construction Fund	Construction	357,672
Total Major Governmental Funds			<u>718,306</u>
Total Transfers			<u>\$ 3,686,114</u>

19. Commitments (Construction Projects)

The District had the following outstanding construction projects, as evidenced by contracts, purchase orders or BG-1 forms, as applicable, as of June 30, 2018.

Project	Total Commitment	Incurred To Date	Commitment Remaining
Career and Technical Center-New Site (BG 14-103)	\$ 11,658,623	\$ 11,296,108	\$ 362,515
Capital Outlay (BG 17-133)	122,790	96,105	26,685
Total	<u>\$ 11,781,413</u>	<u>\$ 11,392,213</u>	<u>\$ 389,200</u>

The District entered into a settlement agreement on May 10, 2018 and received \$1,350,000 in insurance recoveries related to the Center.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

20. On-Behalf Payments

The Commonwealth of Kentucky made payments on-behalf of the District as follows for the year ended June 30, 2018. The amounts are included in the General Fund and Debt Service Fund, as "Intergovernmental-State" revenues and in the Food Service Fund and Child Care Fund as "State grants." These amounts are budgeted. In the General Fund, the retirement and technology payments are recorded as additional instruction expense and the health insurance, life insurance, administration fee and health reimbursement account payments are allocated to the various expense functions based on a ratio of employees. In the Debt Service Fund, the payments are recorded as principal and interest expenditures. In the Food Services Fund and Child Care Fund, all of the payments are recorded as additional employee benefits.

Kentucky Teachers Retirement System	\$ 9,600,525
Health insurance, life insurance, administrative fee, health reimbursement account, net of federal reimbursements	7,211,431
Technology	96,850
Debt Service	1,077,926
Total On-Behalf Payments	<u>\$ 17,986,732</u>
Reported in:	
General Fund	\$ 16,199,509
Debt Service Fund	1,077,926
Food Service Fund	681,936
Child Care Fund	27,361
	<u>\$ 17,986,732</u>

21. Impact of Recently Issued Accounting Principles

In fiscal year 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (GASBS No. 75), which amends or supersedes the accounting and financial reporting guidance for Postemployment benefits other than pensions (other postemployment benefits or OPEB) provided to the employees of state and local governmental employers. The objective is to improve accounting and financial reporting for OPEB by state and local governments.

Under GASBS No. 75, the liability to be recognized by participating employers is measured as the portion of the present value of projected benefit payments to be provided through the OPEB plan to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB that are required to be recognized by an employer result primarily from changes in the components of the net OPEB liability, as detailed in Notes 12 and 13 to the financial statements.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

21. Impact of Recently Issued Accounting Principles, continued

In the financial statements, the implementation of GASBS No. 75 resulted in a reduction of beginning net position, as reflected below:

	Governmental Activities	Business-Type Activities			Entity- Wide Total
		Food Service Fund	Child Care Fund	Total	
Net Position, June 30, 2017, as previously reported	\$ 11,700,907	\$ (855,169)	\$ (109,370)	\$ (964,539)	\$ 10,736,368
Restatement Change in Accounting Principle	(21,377,878)	(679,512)	(41,037)	(720,549)	(22,098,427)
Net Position, June 30, 2017, restated	<u>\$ (9,676,971)</u>	<u>\$ (1,534,681)</u>	<u>\$ (150,407)</u>	<u>\$ (1,685,088)</u>	<u>\$ (11,362,059)</u>

22. Subsequent Events

Management has evaluated subsequent events through November 5, 2018, the date on which the financial statements were available to be issued.

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources				
Taxes				
Property	\$ 13,846,974	\$ 14,304,759	\$ 15,130,707	\$ 825,948
Motor vehicle	1,744,452	1,744,452	1,877,466	133,014
Unmined mineral	-	-	165,485	165,485
Other	172,552	50,000	54,773	4,773
Tuition	2,904	5,601	5,601	-
Earnings on investments	80,000	80,000	231,001	151,001
Student activities	-	-	-	-
Other local revenues	7,000	7,000	84,900	77,900
Intergovernmental - Local	103,243	106,810	106,810	0
Intergovernmental - State	39,039,474	39,039,474	43,917,988	4,878,514
Intergovernmental - Direct Federal	100,000	100,000	111,621	11,621
Total revenues	55,096,599	55,438,096	61,686,352	6,248,256
Expenditures:				
Current:				
Instruction	33,972,163	32,952,773	35,776,187	(2,823,414)
Support Services:				
Student	2,057,112	1,859,469	2,003,895	(144,426)
Instruction staff	1,987,946	2,185,007	2,396,481	(211,474)
District administrative	1,819,715	3,448,342	1,308,640	2,139,702
School administrative	3,874,590	3,733,814	4,181,036	(447,222)
Business	2,630,818	2,604,217	2,714,523	(110,306)
Plant operation and maintenance	6,761,872	6,742,084	6,553,469	188,615
Student transportation	3,754,638	3,744,922	3,867,034	(122,112)
Other instructional	-	-	-	-
Community service activities	-	-	-	-
Debt Service	-	49,417	49,417	-
Total expenditures	56,858,854	57,320,045	58,850,682	(1,530,637)
Excess (deficit) of revenues over expenditures	(1,762,255)	(1,881,949)	2,835,670	4,717,619
Other Financing Sources (Uses):				
Proceeds from sale of fixed assets	-	-	82,405	82,405
Operating transfers in	-	-	184,854	184,854
Operating transfers out	-	(107,282)	(492,161)	(384,879)
Contingency	(2,500,000)	(3,000,000)	-	3,000,000
Total other financing sources (uses)	(2,500,000)	(3,107,282)	(224,902)	2,882,380
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(4,262,255)	(4,989,231)	2,610,768	7,599,999
Fund balance, July 1, 2017	4,262,255	4,989,231	5,017,903	28,672
Fund balance, June 30, 2018	\$ -	\$ -	\$ 7,628,671	\$ 7,628,671

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$10,379	\$10,379
Student activities	-	-	-	-
Other	-	13,000	67,445	54,445
Intergovernmental - State	1,524,062	2,184,828	2,652,577	467,749
Intergovernmental - Indirect federal	-	2,560,621	4,494,327	1,933,706
Intergovernmental - Direct federal	-	-	99,066	99,066
Total revenues	1,524,062	4,758,449	7,323,794	2,565,345
Expenditures:				
Current:				
Instruction	1,340,558	3,881,155	5,809,576	(1,928,421)
Support services:	-	-	-	-
Student	5,000	90,715	268,084	(177,369)
Instruction staff	94,288	77,882	332,118	(254,236)
District administrative	-	-	-	-
School administrative	-	-	-	-
Business	-	-	-	-
Plant operation and maintenance	78,841	147,723	206,484	(58,761)
Student transportation	5,375	10,162	183,720	(173,558)
Central office	-	-	-	-
Other instructional	-	-	-	-
Community services	-	658,094	658,301	(207)
Capital outlay:				
Facilities acquisition and construction	-	-	-	-
Total expenditures	1,524,062	4,865,731	7,458,283	(2,592,552)
Excess (deficit) of revenues over expenditures	-	(107,282)	(134,489)	(27,207)
Other Financing Sources (Uses):				
Proceeds from sale of assets	-	-	-	-
Operating transfers in	-	107,483	134,489	27,006
Operating transfers out	-	(201)	-	201
Total other financing sources (uses)	-	107,282	134,489	27,207
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-
Fund balance, July 1, 2017	-	-	-	-
Fund balance, June 30, 2018	\$ -	\$ -	\$ -	\$ -

HOPKINS COUNTY SCHOOL DISTRICT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR BUDGETARY PROCESS

FOR THE YEAR ENDED JUNE 30, 2018

Budgetary Process

Budgetary Basis of Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

As required by KRS 160.470, on or before January 31 of each year, the District commences budget preparation for the following fiscal year. Before May 30, a tentative working budget is presented to the Kentucky Department of Education. A final working budget must be prepared and adopted no later than September 30. The budget is periodically amended and adopted by the Board of Education during the fiscal year with a final budget adopted by the Board prior to June 30.

The appropriated budget is prepared by fund unit, function, program, level, object and project. The legal level of budgetary control is the fund level.

Reconciliation between the Budgetary Basis of Accounting and GAAP

There were no material variances between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District.

HOPKINS COUNTY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM FOR THE STATE OF KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2018**

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the plan total net pension liability	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability associated with the District	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>250,714,485</u>	<u>279,879,029</u>	<u>222,633,493</u>	<u>191,555,888</u>
Total	<u>\$ 250,714,485</u>	<u>\$ 279,879,029</u>	<u>\$ 222,633,493</u>	<u>\$ 191,555,888</u>
District's covered-employee payroll	\$ 28,911,067	\$ 29,846,092	\$ 30,110,471	\$ 29,977,541
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	39.83%	35.22%	42.49%	45.59%

* The amounts presented for each fiscal year were determined as of June 30.

** Schedule is intended to show information for ten years.

Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM FOR THE STATE OF KENTUCKY
FOR THE YEAR ENDED JUNE 30, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015
District's contractually required contributions	\$ -	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions	-	-	-	-
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 28,911,067	\$ 29,846,092	\$ 30,110,471	\$ 29,977,541
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year were determined as of June 30.

** Schedule is intended to show information for ten years.

Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT

NET PENSION LIABILITY

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

For The Year Ended June 30, 2018

Changes of Benefit Terms

None

Changes of Assumptions

- The municipal bond index rate increased from 3.01% to 3.56%.
- The single equivalent interest rate, net of pension plan investment expense, including inflation increased from 4.20% to 4.49%.
- The inflation rate decreased from 3.50% to 3.00%.

HOPKINS COUNTY SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2018

Last 10 Fiscal Years*

	2018	2017	2016	2015
District's proportion of the net pension liability	0.392049%	0.39943%	0.38934%	0.396633%
District's proportionate share of the net pension liability	\$ 22,947,833	\$ 19,666,399	\$ 16,739,697	\$ 12,868,000
District's covered-employee payroll	\$ 9,455,670	\$ 9,752,373	\$ 8,617,062	\$ 8,740,258
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	242.69%	201.66%	194.26%	147.23%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of June 30.

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2018

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,369,181	\$ 1,360,456	\$ 1,070,239	\$ 1,114,383
Contributions in relation to the contractually required contributions	<u>(1,369,181)</u>	<u>(1,360,456)</u>	<u>(1,070,239)</u>	<u>(1,114,383)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 9,455,670	 \$ 9,752,373	 \$ 8,617,062	 \$ 8,740,258
Contributions as a percentage of covered-employee payroll	14.48%	13.95%	12.42%	12.75%

* The amounts presented for each fiscal year were determined as of June 30.

** Schedule is intended to show information for ten years.

Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM
Year Ended June 30, 2018

Changes of Benefit Terms

None

Changes of Assumptions

Pension and OPEB:

- The inflation rate decreased from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.
- The investment rate of return, net of investment expense & inflation decreased from 7.50% to 6.25%.
- The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) decreased from 4.00% to 2.00%.

OPEB:

- The single discount rate changed from 6.89% to 5.84%.

HOPKINS COUNTY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITIES
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years*

	<u>2018</u>
<u>MEDICAL INSURANCE PLAN (MIP)</u>	
District's proportion of the plan total net MIP OPEB liability	0.489042%
District's proportionate share of the net MIP OPEB liability associated with the District	\$ 17,438,000
State's proportionate share of the net MIP OPEB liability associated with the District	<u>14,244,000</u>
Total	<u>\$ 31,682,000</u>
District's covered-employee payroll	\$ 28,911,067
District's proportionate share of the net MIP OPEB liability as a percentage of its covered-employee payroll	60.32%
Plan fiduciary net position as a percentage of the total MIP OPEB liability	21.18%
<u>LIFE INSURANCE PLAN (LIP)</u>	
District's proportion of the plan total net LIP OPEB liability	0.0000%
District's proportionate share of the net LIP OPEB liability associated with the District	\$ -
State's proportionate share of the net LIP OPEB liability associated with the District	<u>191,000</u>
Total	<u>\$ 191,000</u>
District's covered-employee payroll	\$ 28,911,067
District's proportionate share of the net LIP OPEB liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total LIP OPEB liability	79.99%

*The amounts presented for each fiscal year were determined as of June 30.

**Schedule is intended to show information for ten years.

Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

	<u>2018</u>
<u>MEDICAL INSURANCE PLAN (MIP)</u>	
District's contractually required contributions	\$ 867,332
District's contributions in relation to the contractually required contributions	<u>(867,332)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered-employee payroll	 \$ 28,911,067
Contributions as a percentage of covered-employee payroll	3.00%
 <u>LIFE INSURANCE PLAN (LIP)</u>	
District's contractually required contributions	\$ -
District's contributions in relation to the contractually required contributions	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered-employee payroll	 \$ 28,911,067
Contributions as a percentage of covered-employee payroll	0.00%

*The amounts presented for each fiscal year were determined as of June 30.

**Schedule is intended to show information for ten years.

Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
NET OPEB LIABILITY

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Year Ended June 30, 2018

MEDICAL INSURANCE PLAN (MIP)

Changes of Benefit Terms

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

Changes of Assumptions

None

LIFE INSURANCE PLAN (LIP)

Changes of Benefit Terms

None

Changes of Assumptions

None

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2018

Last 10 Fiscal Years*

	<u>2018</u>
District's proportion of the net OPEB liability	0.392049%
District's proportionate share of the net OPEB liability	\$ 7,881,526
District's covered-employee payroll	\$ 9,455,670
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	83.35%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%

* The amounts presented for each fiscal year were determined as of June 30.

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

	<u>2018</u>
Contractually required contribution	\$ 444,417
Contributions in relation to the contractually required contribution	<u>(444,417)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 9,455,670
Contributions as a percentage of covered-employee payroll	4.70%

*The amounts presented for each fiscal year were determined as of June 30.

**Schedule is intended to show information for ten years.

Additional years will be displayed as they become available.

**HOPKINS COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,350,000	\$ -		\$ 429,030	\$ 1,779,030
Accounts receivable:					
Local				234	234
Debt Service					-
Accrued interest receivable			\$ 76,000		76,000
Prepaid expenses			444,550		444,550
Restricted investments					
Restricted cash					
Total assets	<u>\$ 1,350,000</u>	<u>\$ -</u>	<u>\$ 520,550</u>	<u>\$ 429,264</u>	<u>\$ 2,299,814</u>
Liabilities					
Accounts payable				\$ 3,214	\$ 3,214
Due to other funds					-
Non current Bond Obligation					
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,214</u>	<u>3,214</u>
Fund Balances					
Nonspendable:					
Prepaid expenses			\$ 76,000		\$ 76,000
Restricted for:					
Capital projects					-
Debt service	\$ 1,350,000		444,550.00		1,794,550
Committed:					
District Activity Funds				426,050	426,050
Total fund balances	<u>1,350,000</u>	<u>-</u>	<u>520,550</u>	<u>426,050</u>	<u>2,296,600</u>
Total liabilities and fund balances	<u>\$ 1,350,000</u>	<u>\$ -</u>	<u>\$ 520,550</u>	<u>\$ 429,264</u>	<u>\$ 2,299,814</u>

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

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$1,382,646				\$1,382,646
Earnings on investments			\$19,864		19,864
Intergovernmental - State	981,335	\$ 803,827	1,077,926		2,863,088
Other Student Income District Activity Fund				\$213,351	213,351
Contributions/Donations				17,815	17,815
Total revenues	<u>2,383,981</u>	<u>803,827</u>	<u>1,097,590</u>	<u>231,166</u>	<u>4,296,564</u>
Expenditures:					
Capital outlay:					
Facilities acquisition and construction					
Debt Service:					
Principal			3,160,000		3,160,000
Interest			893,381		893,381
Bond issuance costs			70,610		70,610
Other items					-
District Activity:					
Instruction				130,428	130,428
Support Services				26,392	26,392
Plant Operations & Maintenance				11,625	11,625
Student Transportation				1,785	1,785
Total expenditures	<u>-</u>	<u>-</u>	<u>4,123,991</u>	<u>170,230</u>	<u>4,294,221</u>
Excess (deficit) of revenues over expenditures	<u>2,383,981</u>	<u>803,827</u>	<u>(3,026,401)</u>	<u>60,936</u>	<u>2,343</u>
Other Financing Sources (Uses)					
Proceeds from bonds issued			7,140,000		7,140,000
Payments to refunded bond escrow agent			(7,486,449)		(7,486,449)
Premium on bonds issued			417,059		417,059
Discount on bonds issued					0
Insurance recoveries	1,350,000				1,350,000
Transfers in			3,009,099		3,009,099
Transfers out	(2,383,981)	(803,827)			(2,987,808)
Total other financing sources (uses)	<u>(1,013,981)</u>	<u>(803,827)</u>	<u>3,079,709</u>	<u>-</u>	<u>1,461,901</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>1,350,000</u>	<u>-</u>	<u>53,308</u>	<u>60,936</u>	<u>1,464,244</u>
Fund balance, July 1, 2017	<u>-</u>	<u>-</u>	<u>487,242</u>	<u>365,114</u>	<u>832,356</u>
Fund balance, June 30, 2018	<u>\$ 1,350,000</u>	<u>\$ -</u>	<u>\$520,550</u>	<u>\$426,050</u>	<u>\$2,296,600</u>

**HOPKINS COUNTY SCHOOL DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
ALL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>School</u>	<u>Cash Balances July 1, 2017</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>Cash Balances June 30, 2018</u>	<u>Accounts Receivable June 30, 2018</u>	<u>Accounts Payable June 30, 2018</u>	<u>Fund Balances June 30, 2018</u>
Hopkins County Central High	148,984	439,593	437,690	150,887	1,522	1,476	150,933
Madisonville North Hopkins High	214,132	514,258	507,437	220,953	-	-	220,953
	<u>363,116</u>	<u>953,851</u>	<u>945,127</u>	<u>371,840</u>	<u>1,522</u>	<u>1,476</u>	<u>371,886</u>
Hopkins County Career & Tech Center	6,671	12,526	13,258	5,939			5,939
Academy	5,853	443	6,296	-			-
Browning Springs Middle	35,210	131,702	138,956	27,956		4,334	23,622
Earlington Elementary	3,790	45,273	40,579	8,484			8,484
Grapevine Elementary	8,089	33,399	33,655	7,833			7,833
Hanson Elementary	17,607	49,065	50,282	16,390			16,390
James Madison Middle	51,315	114,377	114,062	51,630		45	51,585
Jesse Stuart Elementary	13,255	40,940	37,125	17,070			17,070
Pride Elementary	13,249	38,995	45,950	6,294		140	6,154
Southside Elementary	7,801	36,622	36,508	7,915			7,915
Squth Hopkins Middle	46,479	139,858	140,665	45,672			45,672
West Broadway Elementary	14,159	35,456	35,189	14,426			14,426
West Hopkins	15,496	70,877	69,433	16,940			16,940
	<u>602,090</u>	<u>1,703,384</u>	<u>1,707,085</u>	<u>598,389</u>	<u>1,522</u>	<u>5,995</u>	<u>593,916</u>

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
HOPKINS COUNTY CENTRAL HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Cash Balances July 1, 2017	Receipts	Disburse- ments	Transfers	Cash Balances June 30, 2018	Accounts Receivable June 30, 2018	Accounts Payable June 30, 2018	Fund Balances June 30, 2018
Academic Team	\$644		\$6,725		\$789		\$74	\$715
Air Force ROTC	-			\$65	-			-
AP Test	8,758	10,807	10,126	(\$500)	6,939			6,939
Archery Club	1,239	27,213	27,235	5	1,222		430	792
Art	20				20			20
Art Club	430	100	221	(5)	304			304
Athletic Dept.	13,506	65,535	71,905	(4,019)	3,117	\$ 384	85	3,413
Band	638	6,210	5,452	209	1,605			1,605
Baseball	190	5,388	5,359	470	689			689
Bass Fishing	-				-			-
Beta Club	369	710	1,018	(25)	36			36
Bookstore	1,361				1,361			1,361
Boys Basketball	328	5,503	6,736	1,585	680	140	719	101
Business Dept.	22				22			22
Change	-	5,200	5,200		-			-
Cheerleaders	1,044	4,551	6,081	1,170	684			684
Chorus	3,632	3,391	4,519	(274)	2,230			2,230
Chorus Trip	781	2,200	2,325		656			656
Concessions	10,162	27,080	12,553	(11,159)	13,530			13,530
Cross Country	1,859	1,005	1,725	835	1,874			1,974
CTC Supply Fee	0	2,208	2,148		60			60
Custodial Acct	115		1,147	1,225	193			193
Dance Squad	211	11,445	13,210	1,585	11			11
DAF	4,676		26,943	26,943	4,676			4,676
DECA	0	302			302			302
Drama	141				141			141
Driver education	6,552				6,552			6,552
Elementary Basketball	0	15,041	13,285	(40)	1,716			1,716
Embroidery	893	1,153	1,161		885			885
Employee of the Month	395		178		217			217
Fan Club	141			(141)	0			0
F.B.L.A.	146	893	860	(50)	129			129
F.C.A.	28				28			28
F.F.A.	13,378	48,432	50,635	(100)	11,075	602	53	11,624
F.C.C.L.A.	169	1,865	1,272	(15)	747			747
Football	2,068	3,119	6,466	1,985	708			708
(4)Four H Club	980				980			980
Sophomore Class	1,993	816		(1,143)	1,668			1,668
Girls Basketball	2,109	10,650	6,812	505	6,452		112	6,340
Girls Volleyball	469	700	1,291	335	213			213
Golf Girls	2,057		372	285	1,970			1,970
Golf Boys	3,479	5,865	4,285	165	5,224			5,224
Greenhouse	0				0			-
Guidance Testing	2,466	541	544		2,465			2,465
Hall of Fame	91	925	916		100			100
Home Ec	258	3,908	2,692	40	1,312			1,312
HOSA	224	1,909	1,943		190			190
Instructional	1,583	6,044		(4,760)	2,867			2,867
Kenny Harris	0		250	250	-			-
Key Club	1,887	980	1,508	(40)	1,321			1,321
Legacy	0	6,610	5,915	570	1,465			1,465
MCLC	35				35			35
Media Center	98	90		(5)	183			183
Miscellaneous	2,202	2,804	92		4,914			4,914
National Honor Society	1,139	2,005	1,603	(50)	1,491			1,491
Olympic Field Day	4,566	4,717	5,663		3,622			3,622
Outdoorsmen's Club	143				143			143
PBS	2,012		300	225	1,937			1,937
Pep Club	72	4,590	4,593	(50)	19			19
Project Grad.	1,230	8,775	9,268	(500)	237			237
ROTC Cadets	10,315	13,997	10,287	(450)	13,595	102		13,697
Science & Math Club	3,395	13,355	16,674		78			78
Junior Class	738	5,218	5,337	1,256	1,873			1,873
Senior Trip	124	38,442	38,371		2,195			2,195
Freshman Class	650	2,171	1,290	(601)	1,130			1,130
Shout Outs	-				-			-
Soccer Boys	101		526	905	480			480
Soccer Girls	2,357	500	818	380	2,419			2,419
Softball	757	10	1,272	965	460	150		610
Senior Class	107	159	724	737	279			279
Spanish Club	77	1,180	1,180	(25)	52			52
STLP	0				-			-
Storm Hoops Banner	-	220	130		90			90
Student Vending	3,079	2,521	3,217		2,383	97		2,480
Summer School	1,620	100	-		1,720			1,720
Swim	853	4,964	5,399	315	853			853
Teacher Vending	2,056	1,034	2,870		222	47		269
Technology Fee	3,936	20,902	60	(20,536)	4,242			4,242
Tennis	1,115	999	1,158	445	1,403			1,403
Textbook Rental	3,039	147	30	(147)	3,009			3,009
Track	355	937	512	250	1,030			1,030
TSA	291				291			291
Yearbook	7,319	11,576	13,214	(50)	5,631			5,631
YSC TOP	-				-			-
Youth Service Center	5,405	2,878	3,913	1,000	5,370			5,370
TOTAL	\$ 148,984	\$ 439,593	\$ 437,690	\$ -	\$ 150,887	\$ 1,522	\$ 1,476	\$ 150,933

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
MADISONVILLE NORTH HOPKINS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Cash Balances July 1, 2017	Receipts	Disburse- ments	Transfers	Cash Balances June 30, 2018	Accounts Receivable June 30, 2018	Accounts Payable June 30, 2018	Fund Balances June 30, 2018
Academic Team	354	144	345		153			53
Administrative	2,321	8,789	10,531	\$432	1,011			1,011
Adv Leadership	41	1,787	1,587		131			131
Art Consumables	-	-	-		-			-
Art Shop	-	252	-		252			252
Annual	19,852	17,066	15,453		21,455			21,455
Archery	1,931	4,023	5,845	100	410			410
Art Club	62	-	-	(62)	0			0
Art Department	110	350	62		522			522
Athletic Dept.	20,939	112,995	116,396	(\$5,302)	10,247			10,247
Athletic Extras	78	203	-	400	681			681
Band	1,559	47,774	36,934		10,409			10,409
Baseball Program	30	750	700		80			80
Basketball Boys	352	250	-		602			602
Base Fishing	3,286	2,725	2,344		3,667			3,667
Beta Club	532	640	725	(120)	427			427
Beta Delta	1,860	9,631	9,130	120	2,781			2,781
Boys Cross Country	2,305	17,559	13,459	(72)	6,347			6,347
Boys Golf	-	77	-		77			77
Boys Track	696	3,697	3,627	2	760			760
Brain Tags	289	-	-		289			289
Business Dept.	295	-	-		295			295
Chemleaders	-	20,620	20,907	960	673			673
Chemistry Club	-	-	-		-			-
Chess Club	-	-	-		-			-
Chem. Safety Equip.	-	-	-		-			-
Coke Machine	5,135	-	-		5,135			5,135
Community Donations	175	-	-		175			175
Cross Country	781	-	-	(781)	0			0
Culinary Club	1,750	2,071	2,049		1,772			1,772
Culinary Skills	-	-	-		-			-
DAF	315	-	58,543	58,543	315			315
Dance Team	-	6,953	6,953		-			-
Distributive Education	-	-	-		-			-
Doran Scholarship	500	-	-		500			500
Drafting/North Eng.	24	-	-		24			24
Drama	10,718	3,255	8,183	-	5,800			5,800
Dream Team	139	-	-		139			139
Drivers Training	3,775	7,550	740	(5,770)	4,915			4,915
Educators Rising	75	-	-		75			75
Elementary Basketball	-	11,680	10,539		1,141			1,141
Employee T-Shirts	105	320	40		385			385
English Dept.	239	185	410	(10)	1			1
Faculty Fund	1,251	147	1,556	158	0			0
Faculty Fund/Flowers	10	-	-		10			10
Fellowship of Christian Ath.	285	-	-		285			285
F.B.L.A.	1,453	7,665	5,712	(92)	3,324			3,324
F.F.A.	6,718	14,421	17,087	1,347	5,399			5,399
F.F.A. Greenhouse	10,554	7,739	4,870	(1,077)	12,546			12,546
F.H.A.	5	-	-		5			5
Food Products	602	-	-	(558)	44			44
Football Fund	841	849	1,541	659	908			908
FOR Club	10	-	-		10			10
Girls Basketball	352	-	-		352			352
Girls Softball	1,835	45	2,426	1,000	454			454
Girls Track	2	-	-		2			2
Glee Club	1,490	5,972	7,422		40			40
Golf Program	1,577	4,435	4,525		1,488			1,488
Guidance	14,787	20,908	19,324		16,381			16,381
Health Occup.	111	1,380	1,317		174			174
Holmes Budget	-	-	-		-			-
Home Economics Dept	-	-	-		-			-
Hous/Series	2,500	-	500		2,000			2,000
Industrial Arts	539	-	443		96			96
Incentive Program	25	-	-		25			25
Jay Club	1,968	3,795	2,917		2,808			2,808
JUNA	810	7,771	5,019		662			662
Leiterman Association	2,024	500	-		2,524			2,524
Library	-	30	-		30			30
Locker Fund	50	4,341	5	(4,386)	0			0
Lost Book	165	174	-		340			340
Math Department	250	-	-	(8)	242			242
Modern Foreign Language	173	-	-		173			173
Mult Cultural Club	-	-	-		-			-
Not in my School	-	-	-		-			-
NOW Account	-	-	-		-			-
NROTC	17,480	2,084	3,817		16,057			16,057
Olympic Field Day	10,533	11,118	9,340		12,371			12,371
Parkway Tiers	1,041	4,210	0	(4,476)	775			775
PBIS	1,138	-	883	1,845	2,100			2,100
PE	24	22	-		46			46
PEP Club	-	-	-		-			-
Project Graduation	1,015	12,685	13,698	258	261			261
Science Club	-	-	-		-			-
2nd Region Ad	-	-	-		-			-
2nd Region Coaches Assoc.	-	-	-		-			-
2nd Region Volleyball	125	-	-		125			125
Seniors 2015	-	-	-		-			-
Seniors 2013	-	-	-		-			-
Seniors 2014	-	-	-		-			-
Seniors 2016	-	-	-		-			-
Seniors 2017	16,015	-	-	(16,015)	0			0
Seniors 2018	9,523	18,653	23,142	13,705	16,739			16,739
Seniors 2019	1,884	25,282	16,895		10,451			10,451
Seniors 2020	1,935	3,017	1,019		3,933			3,933
Seniors 2022	-	820	448		372			372
Senior Trips	1,923	-	-		1,923			1,923
Soccer Girls	350	3,500	2,940	(50)	860			860
Soccer Boys	582	5,798	7,122	743	1			1
Social Studies	-	-	-		-			-
Sports Marketing	20	-	-		20			20
Spanish Club	297	771	825		133			133
SSF	852	929	745		1,045			1,045
Student Emergency Fund	414	-	-		414			414
Student Y	-	-	-		-			-
Spanish Text Book	-	-	-		-			-
SR21	151	3,214	951		2,414			2,414
Student Textbook	3,000	47,098	4,687	(41,481)	4,010			4,010
Student Textbooks Science	-	-	-		-			-
Student Government	1,031	-	95		936			936
Summer School	340	470	-		810			810
Swimming Scholarship	608	-	-		608			608
T.A.P.	-	-	-		-			-
Tennis	-	100	142	700	658			658
Textbooks DE store	170	-	-		170			170
Toyota Athletic	1,117	-	-	(1,117)	0			0
Track M	382	40	563		101			101
Volleyball	285	9,568	9,639	100	415			415
Young Educators	-	-	-		-			-
Youth Service Center	9,583	2,856	4,280		8,159			8,159
TOTAL	\$ 214,132	\$ 514,258	\$ 507,437	\$ -	\$ 220,953	\$ -	\$ -	\$ 220,953

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	7760005-17 7760005-18	\$ 163,833 557,841 <u>721,674</u>
NATIONAL SCHOOL LUNCH PROGRAM			
CASH ASSISTANCE	10.555	7750002-17 7750002-18 Fund 51	481,198 1,811,018 280,238 <u>2,552,452</u>
NONCASH ASSISTANCE - COMMODITIES (Note C)			
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	7690024-17 7690024-18 7740023-17 7740023-18	306 722 2,881 6,876 <u>10,785</u>
TOTAL CHILD NUTRITION CLUSTER			<u>3,284,911</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>3,284,911</u>
<u>NATIONAL SCIENCE FOUNDATION</u>			
PASSED THROUGH KENTUCKY COMMUNITY TECHNICAL COLLEGE SYSTEM:			
EDUCATION AND HUMAN RESOURCES- NATIONAL SCIENCE FOUNDATION HIGH SCHOOL PIPELINE	47.078	PROJ 003C	<u>80,138</u>
TOTAL NATIONAL SCIENCE FOUNDATION			<u>80,138</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
GRANTS TO LOCAL EDUCATION AGENCIES	84.010	3100002-16 3100002-17 3100202-15 3100202-16 3100001-15	463,448 1,463,853 4,463 116,281 32,945 <u>2,080,770</u>
TOTAL TITLE I CLUSTER			<u>2,080,770</u>
TITLE I SCHOOL IMPROVEMENT	84.377	3100302-16	<u>133,338</u>
TITLE I PART D PREVENTION & INTERVENTION FOR CHILDREN & YOUTH WHO ARE NEGLECTED, DELINQUENT OR AT RISK	84.013	PROJ 313D	<u>9,486</u>
SPECIAL EDUCATION CLUSTER:			
GRANTS TO STATES (IDEA, PART B)	84.027	3810002-16 3810002-17	1,269,975 381,753 <u>1,651,728</u>
PRESCHOOL GRANTS (IDEA PRESCHOOL)	84.173	3800002-15 3800002-16	7,395 80,609 <u>88,004</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>1,748,732</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	3230002-16 3230002-17	981 191,111 <u>192,092</u>

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
U.S. DEPARTMENT OF EDUCATION, CONTINUED			
VOCATIONAL EDUCATION BASIC GRANTS TO STATES	84.048	3710002-16 3710002-17 3710006-15 3710006-16	3,922 75,381 1,200 2,090 <u>82,503</u>
TITLE VI RURAL AND LOW INCOME	84.358	3140002-16 3140002-17	118,794 29,139 <u>147,933</u>
TITLE III, LEP	84.365A	3300002-16	<u>9,944</u>
TITLE IV, PART A. STUDENT SUPPORT & ACADEMIC ENRICHMENT	84.424	3420002-17	<u>7,892</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>4,413,680</u>
U.S. DEPARTMENT OF DEFENSE			
MNHHS ROTC HCHHS ROTC	CFDA not available CFDA not available	PROJ 504D 1010-17 PROJ 604D 1010-17	44,818 54,248 <u>99,066</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>99,066</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
PASSED THROUGH THE STATE DEPARTMENT OF TREASURY:			
ASSISTANCE PROGRAMS FOR CHRONIC DISEASE PREVENTION AND CONTROL	93.945	024201OL-18	<u>500</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>500</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,878,305</u>

Notes to Schedule of Expenditures of Federal Awards

Note A: Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Hopkins County School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hopkins County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hopkins County School District.

Note B: Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.

Note C: Indirect Cost Rate:

The Hopkins County School District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D: Commodities:

Noncash assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

Note E: Medicaid Reimbursements:

Although reported in the financial statements as direct federal revenue, medicaid reimbursements (\$111,821) are not considered expenditures of federal awards for the purposes of this schedule.

Note F: Subrecipients:

There were no awards passed through to subrecipients.

**HOPKINS COUNTY SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2018**

<u>Board Members</u>	<u>Address</u>	<u>Term Expires</u>
Suzanne Duncan Chairman	Madisonville, Kentucky	Resigned July 16, 2018
J.W. Durst Vice-Chairman	Madisonville, Kentucky	December 31, 2020
Susanne Wolford	Madisonville, Kentucky	December 31, 2020
D. Shawn Brumfield	Madisonville, Kentucky	December 31, 2018
Steve Faulk	Madisonville, Kentucky	December 31, 2018

Administrative Personnel

Deanna Ashby - Superintendent

Charles Gant – Assistant Superintendent

April Devine – Director of Pupil Personnel

Drew Taylor – Director of Technology/Chief Information Officer

Eydie L. Tate, CPA – Director of Finance & Business

Andy Belcher – Director of Assessment

Robert Carter – Director of Engagement, Equity and School Support

Marty Cline – Director of Secondary Education

Jennifer Luttrell – Director of P-5 and Early Education

Tonia Griffey – Director of Exceptional Child

Marci Cox – Director of Child Nutrition

Ann Elkins - Director of Human Resources

George Jones – Director of Facilities

AlfordNanceJones&Oakley, llp

Certified Public Accountants

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Jacqueline L. Nance, CPA

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Lori A. Oakley, CPA

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

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, 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 State Committee for School District Audits' Fiscal Year 2017-2018 Financial Audit Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopkins County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hopkins County School District's basic financial statements, and have issued our report thereon dated November 5, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (2018-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hopkins County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. 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 State Committee for School District Audits' Fiscal Year 2017-2018 Financial Audit Contract.

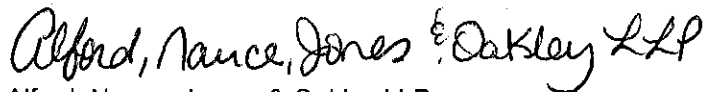
We noted certain matters other than significant deficiencies and material weaknesses that we have reported to management of the Hopkins County School District in a separate letter dated November 5, 2018.

Hopkins County School District's Response to Findings

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

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.



Alford, Nance, Jones, & Oakley LLP

Madisonville, Kentucky

November 5, 2018

AlfordNanceJones&Oakley, llp

Certified Public Accountants

J. Wesley Alford, Jr., CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Hopkins County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hopkins County School District's major federal programs for the year ended June 30, 2018. Hopkins County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hopkins County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code Of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hopkins County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Hopkins County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

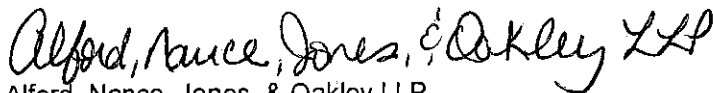
Management of Hopkins County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hopkins County School District's internal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

Accordingly, we do not express an opinion on the effectiveness of Hopkins County School District's internal control over compliance.

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

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

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



Alford, Nance, Jones, & Oakley LLP
Madisonville, Kentucky
November 5, 2018

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

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Hopkins County School District were prepared in accordance with GAAP.
2. One significant deficiency was disclosed during the audit of the financial statements as reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Hopkins County School District were disclosed during the audit.
4. There were no significant deficiencies in internal control over major federal award programs disclosed during the audit as reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the Hopkins County School District expresses an unmodified opinion on the major federal programs
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was:

-Title 1 Cluster Grants to Local Education Agencies

84.010

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Hopkins County School District was determined to be a low risk auditee.

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

B. Financial Statement Findings

Significant Deficiency

2018-001 Significant Deficiency – Purchasing

Condition: During the course of the audit, we identified deficiencies that were not identified by the District's internal controls over financial reporting. 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 deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over purchasing did not operate as designed and we consider this a significant deficiency.

Criteria: The district should have effective internal controls over purchasing in place to ensure that purchase orders and supporting documentation are properly prepared and authorized.

Cause: Although there is a purchasing policy, it is not being complied with which results in several instances where purchase orders and standard invoices were prepared and dated subsequent to the vendor's invoice and standard invoices used instead of purchase orders including credit card purchases made at the central office.

Effect: There were several purchase orders that were prepared and dated subsequent to the vendor's invoice, and standard invoices used instead of purchase orders which resulted in the internal controls over purchasing not operating as designed.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2017-001.

Recommendation: We recommend that purchase orders be utilized and properly completed. We further recommend a thorough review of the District's purchasing policy and training administrators and employees on the purchasing policy.

Views of Responsible Officials and Planned Corrective Action: In the 2017-2018 school year, the District implemented an electronic approval process in MUNIS for requisition conversion to purchase orders. December 13, 2018, there will be an administrators' meeting and the importance using purchase orders properly will be discussed. At the audit review meeting on December 17, 2018, school finance secretaries and principals will re-train on the purchasing policy. Accounts payable staff will also be notified of the audit finding at this meeting. When deficiencies are discovered, accounts payable will address issues with the Director of Finance and related department director.

C. Federal Award Findings and Questioned Costs

None reported

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

D. Schedule of Prior Audit Findings

Financial Statement Findings

Significant Deficiency

2017-001 Significant Deficiency – Purchasing

Condition: There were several instances where purchase orders and supporting documentation (i.e., travel request forms) were not utilized and prepared properly, including credit card purchases made at the central office.

Criteria: Effective internal controls over purchasing are necessary to ensure that purchase orders and supporting documentation are properly prepared and authorized.

Cause: Although there is a purchasing policy, it is not being complied with which results in purchase orders and supporting documentation not being prepared properly.

Effect: There were several purchase orders that were prepared and dated subsequent to the vendor's invoice, standard invoices used instead of purchase orders, documents were not properly approved, and supporting documentation not properly prepared and attached (i.e., travel request forms).

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2016-001.

Recommendation: We recommend that purchase orders be utilized and properly completed and supporting documentation attached. We further recommend a thorough review of the District's purchasing policy.

Views of Responsible Officials and Planned Corrective Action: On July 12, 2017, the District implemented a purchase order automation process involving the electronic approval of requisitions in MUNIS for conversion to purchase orders. This will eliminate purchase orders not being approved properly. At the audit review meeting on November 7, 2017, district administrators will be reminded of the purchasing policy requirement related to travel and credit cards. On December 5, 2017, school administrators will be reminded of the requirement for purchase orders and the importance of accurate supporting documentation. Accounts Payable will be notified of the audit deficiency on November 15, 2017, and asked to review all travel reimbursements and credit card payments in detail for purchase orders and correct documentation.

Current Year Status: See current year finding 2018-001 Significant Deficiency- Purchasing

Federal Award Findings and Questioned Costs

None reported in prior year

HOPKINS COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Financial Statement Findings

Significant Deficiency

2017-001 Significant Deficiency – Purchasing

Condition: There were several instances where purchase orders and supporting documentation (i.e., travel request forms) were not utilized and prepared properly, including credit card purchases made at the central office.

Criteria: Effective internal controls over purchasing are necessary to ensure that purchase orders and supporting documentation are properly prepared and authorized.

Cause: Although there is a purchasing policy, it is not being complied with which results in purchase orders and supporting documentation not being prepared properly.

Effect: There were several purchase orders that were prepared and dated subsequent to the vendor's invoice, standard invoices used instead of purchase orders, documents were not properly approved, and supporting documentation not properly prepared and attached (i.e., travel request forms).

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2016-001.

Recommendation: We recommend that purchase orders be utilized and properly completed and supporting documentation attached. We further recommend a thorough review of the District's purchasing policy.

Views of Responsible Officials and Planned Corrective Action: On July 12, 2017, the District implemented a purchase order automation process involving the electronic approval of requisitions in MUNIS for conversion to purchase orders. This will eliminate purchase orders not being approved properly. At the audit review meeting on November 7, 2017, district administrators will be reminded of the purchasing policy requirement related to travel and credit cards. On December 5, 2017, school administrators will be reminded of the requirement for purchase orders and the importance of accurate supporting documentation. Accounts Payable will be notified of the audit deficiency on November 15, 2017, and asked to review all travel reimbursements and credit card payments in detail for purchase orders and correct documentation.

Current Year Status: See current year finding 2018-001 Significant Deficiency- Purchasing

Federal Award Findings and Questioned Costs

None reported in prior year.

AlfordNanceJones&Oakley, llp

Certified Public Accountants

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Kentucky State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky 42431

In planning and performing our audit of the financial statements of the Hopkins County School District for the year ended June 30, 2018 we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 5, 2018, contains our report on significant deficiencies and material weaknesses, if any, in the District's internal controls structure. This letter does not affect our report dated November 5, 2018 on the financial statements of the Hopkins County School District.

We appreciate the opportunity to bring these comments to your attention. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Alford, Nance, Jones, & Oakley LLP
November 5, 2018

HOPKINS COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER POINTS

FOR THE YEAR ENDED JUNE 30, 2018

CURRENT YEAR MANAGEMENT LETTER POINTS

Purchasing (Activity Funds)

Finding: We noted instances of purchase orders not being prepared properly.

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Improper use primarily involved the following: (1) some purchase orders were prepared and dated subsequent to the vendor's invoice and (2) purchase orders were not utilized in accordance with Redbook. Purchase orders are to be used as documentation that a purchase is authorized, not merely an additional form to be attached to an invoice indicating approval. Except for purchases made on the same day, purchase orders should pre-date the vendor's invoice. Not only does the proper use of purchase orders aid in the control of school expenses, it also protects purchasers from the possibility of being denied reimbursement of purchases for school purposes. Instances of noncompliance were noted at some of the schools. (MNNHS, WHS, HES, SES)

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Purchasing (Activity Funds).

Recommendation: We recommend that purchase orders be utilized and properly completed.

Views of Responsible Officials and Planned Corrective Action: On July 20, 2018, the District provided annual Redbook training with Ron Flannery to the school finance secretaries and principals. Allowed and disallowed expenditures for school activity funds were reviewed in detail. On December 17, 2018, the Finance Officer will have an audit review meeting with principals and finance secretaries. The purchase orders will be a topic of discussion. District accounts payable finance staff are going to individual schools to assist with any purchasing issues.

Required Forms/Procedures

Finding: We noted instances where it appeared that these forms were either not completed or completed improperly and/or where required procedures were not followed.

Criteria: The KDE "Redbook" requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Fundraising, (2) Inventory Control, (3) Donation Forms, and (4) Transfer Forms. It also requires additional procedures and controls.

Cause and Effect:

FORMS

Fundraising - Some either not used or used incorrectly fundraising worksheet and approval form.
(MNNHS, BSMS, JMMS, EES, JSES, WBES)

Inventory Control - Some either not used or used incorrectly. (MNNHS, HCCHS, SHMS)

Donation Forms - Some either not used or used incorrectly. (BSMS, SHMS, JMMS, EES, HES)

Transfer Forms - Some either not used or used incorrectly. (MNNHS, BSMS, GES, SES)

PROCEDURES

Instances of checks noted containing only one signature. (BSMS, WHS)

Deposit tickets were not initialed by someone other than preparer. (HCCHS)

Inappropriate expenditures from Activity Funds (MNNHS, BSMS, SHMS, JMMS, HCCTC, GES, JSES, PES, WBES)

Store account cards held for unreasonably long periods of time/not properly signed out/in. (BSMS)

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

CURRENT YEAR MANAGEMENT LETTER POINTS, continued

Required Forms/Procedures, continued

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Required Forms/Procedures.

Recommendation: We recommend that the principal and secretary at each school review the "Redbook" and comply with its requirements regarding the use of these forms and procedures.

Views of Responsible Officials and Planned Corrective Action: On July 20, 2018, the District provided annual Redbook training with Ron Flannery to the school finance secretaries and principals. Each of these areas was reviewed in detail. On December 17, 2018, the Finance Officer will have an audit review meeting with principals and finance secretaries. They will be reminded of the requirements of KDE and the importance of following KDE requirements.

Receipts

Finding: We noted instances where teachers/sponsors were not turning in receipts daily to the finance secretaries that were collected from the students. (SHMS, JMMS, GES, HCSA)

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Lack of enforcement in requiring compliance.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Receipts.

Recommendation: We recommend strict adherence to the policies of the "Redbook". The principals must stress to the teachers/sponsors that the policies must be followed.

Views of Responsible Officials and Planned Corrective Action: On July 20, 2018, the District provided annual Redbook training with Ron Flannery to the school finance secretaries and principals. Turning in money daily and the use of multiple receipt forms were stressed. On December 17, 2018, the Finance Officer will have an audit review meeting with principals and finance secretaries and the importance of turning in funds daily will be highlighted. The risk of fraud associated with this finding will be a focus.

Booster Clubs/PTAs

Finding: We noted instances of noncompliance with Booster Clubs/PTAs reports. (MNNHS, SHMS, JMMS, HES, JSES)

Criteria: The KDE "Redbook" requires Booster Clubs/PTAs to submit the names of club officers and a budget to the principal at the beginning of the school year. In addition, an annual financial report shall be submitted to the principal by June 30 reporting receipts from admissions, fundraisers, dues, concession sales, and other categories; expenditures by payee, and beginning and ending balances.

Cause and Effect: Lack of effort in requiring compliance.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Booster Clubs/PTAs.

Recommendation: We recommend the principals increase their efforts in obtaining the required information from Booster Clubs, PTOs and PTAs.

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

CURRENT YEAR MANAGEMENT LETTER POINTS, continued

Booster Clubs/PTAs, continued

Views of Responsible Officials and Planned Corrective Action: On July 20, 2018, the District provided annual Redbook training with Ron Flannery to the school finance secretaries, principals, and external support booster organizations. The information required by booster clubs was specifically discussed. On December 17, 2018, the Finance Officer will have an audit review meeting with principals and finance secretaries. Booster requirements will be emphasized. The Finance Officer will ask each principal and finance secretary to review their current list of Board approved boosters and verify that the documentation is on file at that school.

Activity Fund Account Balance

Finding: We noted instances where activity fund balances were negative after figuring in Accounts Payable. (BSMS)

Criteria: Redbook requires that each individual activity fund balances maintain a positive balance, specifically at the close of the fiscal year.

Cause and Effect: Lack of bookkeeping information, or lack of attention paid to fund balances.

Recommendation: We recommend that the school treasurer pay special attention to fund balances after factoring in accounts payable to ensure the balances remain positive.

View of Responsible Officials and Planned Corrective Action: On July 20, 2018, the District provided annual Redbook training with Ron Flannery to the school finance secretaries and principals. The Redbook requirement that all school activity accounts must have a positive balance at year end was discussed. Accounts Payable was explained and they were notified this must be figured in when calculating year end account balances. On December 17, 2018, the Finance Officer will have an audit review meeting with principals and finance secretaries. They will be reminded that accounts cannot have a negative balance at year end. The districts Accounting Manager will reach out to BSMS and review Account Payable.

Payroll

Finding: During the course of payroll testing, we noted an instance where an employee was paid for incorrect years of service.

Criteria: There was no control in place to ensure that when the employee was hired that the correct amount for years of experience was recorded properly in the payroll system.

Cause and Effect: Lack of controls regarding verification of the correct entry of years of service for new employees.

Recommendation: We recommend there be a control function established for new hires; another person should review the personnel file and the payroll file in MUNIS to ensure the employee has the correct years of service recorded.

Response: Internal controls and segregation of duties have been established between the human resource department and payroll. Human resources collect and report an employee's years of service to payroll. Payroll verifies the documentation to support the years of service and records it in MUNIS. On December 17, 2018, HR and payroll will be reminded at an audit review meeting of the importance of the accuracy of years of service and each department will confirm the number of reported years.

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

PRIOR YEAR MANAGEMENT LETTER POINTS (with current year status)

Purchasing (Activity Funds)

Finding: We noted instances of purchase orders not being prepared properly.

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Improper use primarily involved the following: (1) some purchase orders were prepared and dated subsequent to the vendor's invoice and (2) purchase orders were not utilized in accordance with Redbook. Purchase orders are to be used as documentation that a purchase is authorized, not merely an additional form to be attached to an invoice indicating approval. Except for purchases made on the same day, purchase orders should pre-date the vendor's invoice. Not only does the proper use of purchase orders aid in the control of school expenses, it also protects purchasers from the possibility of being denied reimbursement of purchases for school purposes. Instances of noncompliance were noted at some of the schools. (JMMS, WBES, HES, JSES, PES)

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Purchasing (Activity Funds).

Recommendation: We recommend that purchase orders be utilized and properly completed.

Views of Responsible Officials and Planned Corrective Action: On July 28, 2017, the District provided annual Redbook training with Ron Flannery to the school financial secretaries, principals and external support booster organizations. The proper use and completion of purchase orders and following Redbook accounting procedures for school activity funds are stressed throughout the District. We will have an audit review meeting on December 5, 2017, to review the proper use of purchase orders with (JMMS, WBES, HES, JSES, PES)

FYE 6/30/18: See current year comment "Purchasing (Activity Funds)".

Required Forms/Procedures

Finding: We noted instances where it appeared that these forms were either not completed or completed improperly and/or where required procedures were not followed.

Criteria: The KDE "Redbook" requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Multiple Receipts, (2) Fundraising, (3) Inventory Control, (4) Donation Forms, and (5) Transfer Forms. It also requires additional procedures and controls.

Cause and Effect:

FORMS

Multiple Receipts	-Some either not used or used incorrectly. (MNHHS)
Fundraising	- Some either not used or used incorrectly fundraising worksheet and approval form. (MNHHS, HCCHS, WBES, HES)
Inventory Control	- Some either not used or used incorrectly. (WHS, BSMS, MNHHS)
Donation Forms	- Some either not used or used incorrectly. (MNHHS, BSMS, SHMS)
Transfer Forms	- Some either not used or used incorrectly. (BSMS, HCCTC, PES, HES)

PROCEDURES

Instances of checks noted containing only one signature. (MNHHS, HES)
Deposit tickets were not initialed by someone other than preparer. (JMMS)
Inappropriate expenditures from Activity Funds (MNHHS, HCCHS, JMMS, HES)
Store account cards held for unreasonably long periods of time/not properly signed out/in. (MNHHS, HCCHS, and JMMS)

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

PRIOR YEAR MANAGEMENT LETTER POINTS (with current year status), continued

Required Forms/Procedures, continued

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Required Forms/Procedures.

Recommendation: We recommend that the principal and secretary at each school review the "Redbook" and comply with its requirements regarding the use of these forms and procedures.

Views of Responsible Officials and Planned Corrective Action: On July 28, 2017, the District provided annual Redbook training with Ron Flannery to the school financial secretaries, principals and external support booster organizations. The training focuses on Redbook requirements and proper use of forms. We will have an audit review meeting December 5, 2017, at Browning Springs Middle School auditorium to review the audit, Redbook procedures and the correct use of Redbook forms with MNHHS, HCCHS, WBES, HES, WHS, BSMS, SHMS, HCCTC and PES.

FYE 6/30/18: See current year comment "Required Forms/Procedures".

Receipts

Finding: We noted instances where teachers/sponsors were not turning in receipts daily to the finance secretaries that were collected from the students. (BSMS, HCSA)

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Lack of enforcement in requiring compliance.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Receipts.

Recommendation: We recommend strict adherence to the policies of the "Redbook". The principals must stress to the teachers/sponsors that the policies must be followed.

Views of Responsible Officials and Planned Corrective Action: On July 28, 2017, the district provided annual Redbook training with Ron Flannery to the school financial secretaries, principals and external support booster organizations. On December 5, 2017, we will have an audit review meeting with all principals and finance secretaries of BSMS and HCSA. We will review the proper use of multiple receipt forms and the requirements to turn in cash daily.

FYE 6/30/18: See current year comment "Receipts".

Booster Clubs/PTAs

Finding: We noted instances of noncompliance with Booster Clubs/PTAs reports. (JMMS, MNHHS, SHMS)

Criteria: The KDE "Redbook" requires Booster Clubs/PTAs to submit the names of club officers and a budget to the principal at the beginning of the school year. In addition, an annual financial report shall be submitted to the principal by June 30 reporting receipts from admissions, fund raisers, dues, concession sales, and other categories; expenditures by payee, and beginning and ending balances.

Cause and Effect: Lack of effort in requiring compliance.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Booster Clubs/PTAs.

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

PRIOR YEAR MANAGEMENT LETTER POINTS (with current year status), continued

Booster Clubs/PTAs, continued

Recommendation: We recommend the principals increase their efforts in obtaining the required information from Booster Clubs, PTOs and PTAs.

Views of Responsible Officials and Planned Corrective Action: At the audit review meeting on December 5, 2017, the school administrators of JMMS, MNHHS and SHMS will be directed to comply with Redbook regulations as it relates to obtaining required information from external support booster organizations.

FYE 6/30/18: See current year comment "Booster Clubs/PTAs".

Construction Projects Accounting

Finding: Two invoices relating to BG projects were paid and not board approved. (HCCTCII, Railroad Street Property)

Criteria: It is policy that all invoices and payments relating to BG construction projects be board approved.

Cause and Effect: Lack of internal controls.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Construction Projects Accounting.

Recommendation: We recommend that construction projects be closely monitored to ensure all invoices are board approved.

Views of Responsible Officials and Planned Corrective Action: The Superintendent's office, Facilities and Accounts Payable will work together to ensure that all BG project invoices are Board approved before payment. On November 7, 2017, we will have an audit review meeting, the policy will be reviewed that all BG invoices require Board approval. The Director of Facilities and Assistant Superintendent of Operations will verify all BG invoices have Board approval before submitting for payment. On November 15, 2017, the Director of Finance will communicate with Accounts Payable the importance of Board approval for payment of BG invoices. Accounts payable will review the Board agenda for BG invoice approval when using a Fund 360 code.

FYE 6/30/18: All invoices relating to BG projects were board approved in the current year.

Fixed Assets

Finding: We noted instances where the fixed assets "Property Procedure Policy" were not followed. There were instances of assets not being coded to fixed assets before the fiscal year was closed.

Criteria: The fixed asset policy has been adopted to provide for the accurate, timely and consistent accounting and safeguarding of fixed assets. The policy and controls include guidelines and procedures for centralized recording of additions and deletions to the District's fixed assets.

Cause and Effect: Fixed assets "Property Procedures Policy" must be followed.

Identification of Repeat Comment: This is a repeat comment from the immediate previous audit, Fixed Assets.

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED

FOR THE YEAR ENDED JUNE 30, 2017

PRIOR YEAR MANAGEMENT LETTER POINTS (with current year status), continued

Fixed Assets, continued

Recommendation: We recommend strict adherence to the District's "Property Procedures." Particular attention needs to be given to 1) proper and timely reconciliation of recorded amounts to the physical assets, 2) the fixed asset module must be reconciled to the general ledger (Funds 8 and 81). There must be communication between the Director of Finance and the Accounting Manager to ensure that this reconciliation process is completed in a timely manner.

Views of Responsible Officials and Planned Corrective Action: Property procedures 04.7 Ap.1 for fixed assets will be reviewed and amended for Board approval on December 11, 2017. Updating the procedure to meet the current needs of the district will allow timely and consistent accounting for fixed assets. The Accounting Manager will review the general ledger fixed asset codes quarterly and reclass any expenditure not related to fixed asset. The Accounting Manager will review all invoices over \$5,000 quarterly to verify the correct coding of fixed assets. District administration will be reminded of the importance of notifying Finance of any changes in fixed assets at the December 5, 2017 audit review meeting.

FYE 6/30/18: Assets were coded properly in the current year.