

# Todd County School District

## Financial Statements

June 30, 2019



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors


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# REPORT





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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Todd County School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and select pension/OPEB information on pages 4 through 16 and 76 through 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019 on our consideration of Todd County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, LLC  
Bowling Green, KY  
November 8, 2019





# **FINANCIAL STATEMENTS**

**TODD COUNTY SCHOOL DISTRICT  
ELKTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

As management of the Todd County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

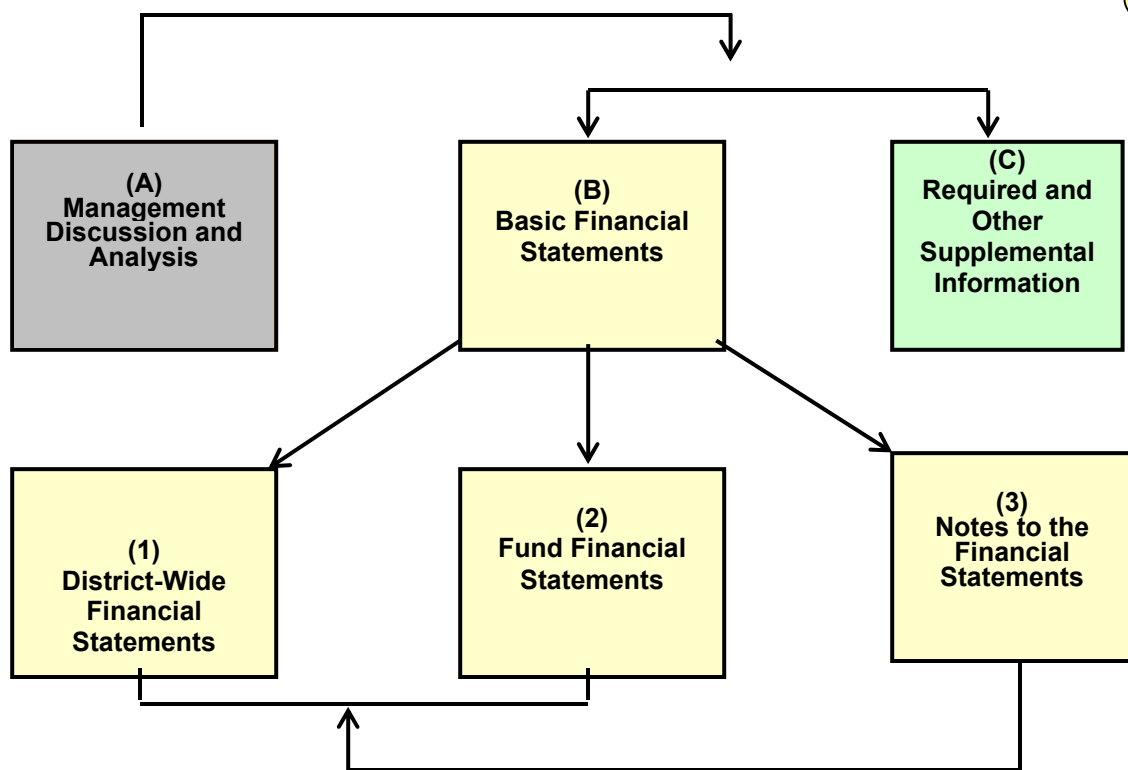
**FINANCIAL HIGHLIGHTS**

- The beginning General Fund balance for the District was \$5,652,606. The ending General Fund balance was \$5,771,692.
- The beginning Special Revenue Fund balance for the District was \$56,459. The ending Special Revenue Fund balance was \$59,276.
- The beginning balance for Other Governmental Funds was \$28,048. The ending balance for Other Governmental Funds was \$481,578.
- Plant Operations and Maintenance expenses increased due to athletic facility repairs to refinishing the gymnasium floor at TCCHS and repairs to the track around the baseball field. Expenses increased \$46,396 this year compared to last.
- Transportation expenses increased \$328,156 this year compared to last. Part of the increase was due to the outright purchase of two buses compared to one last year and going through KISTA in years past to finance bus purchases.
- During the year, we started a construction project for athletics at Todd County Central High School to renovate the existing track around the football field and construct a restroom and concessions building for soccer and softball. As of 6/30/19 the construction in progress was \$132,289. The total cost of the project was projected at \$635,100. The general fund provided \$298,505 of the funding and the remaining \$336,595 came from the Building and Capital Outlay funds.

## Overview of the Annual Financial Report (AFR)

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

### Organization of the Annual Financial Report



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

the School District's major funds with all other non-major funds presented in total in one column.

## **Notes to the Financial Statements**

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

The notes to the financial statements can be found on pages 32 through 75 of this report.

## **Reporting the School District as a Whole**

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

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

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

- **Governmental Activities** – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's School Nutrition Program is reported as business activities. These activities are funded through fees, federal grants, and federal commodities.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,995,492 as of June 30, 2019. This was an increase of \$277,754 over the previous year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The amount of capital assets, net of related debt was \$10,834,033 (an increase of \$253,781 over the previous year). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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

## **Reporting the School District's Most Significant Funds**

### **Fund Financial Statements**

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

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

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

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

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

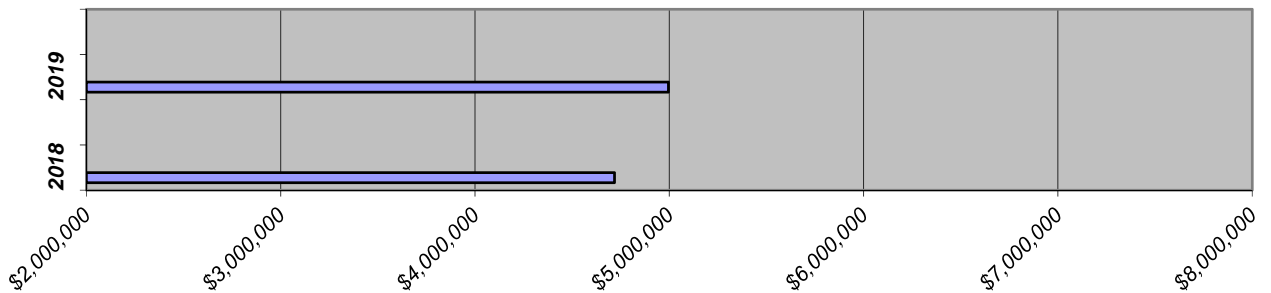
## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	2018-2019
Current and Other Assets	\$5,972,730	\$6,501,137	\$566,578	\$570,867	\$6,539,308	\$7,072,004	8.1%
Capital Assets	\$24,537,741	\$23,725,216	\$270,335	\$276,671	\$24,808,076	\$24,001,887	-3.2%
<b>Total Assets</b>	<b>\$30,510,471</b>	<b>\$30,226,353</b>	<b>\$826,913</b>	<b>\$847,538</b>	<b>\$31,337,384</b>	<b>\$31,073,891</b>	<b>-0.8%</b>
Deferred Outflows of Resources	\$3,058,420	\$2,556,110	\$404,478	\$306,949	\$3,462,898	\$2,863,059	-17.3%
Long Term Liabilities	\$25,981,965	\$24,573,406	\$1,296,157	\$1,195,202	\$27,278,122	\$25,768,608	-5.5%
Other Liabilities	\$1,863,892	\$1,689,786	\$437	\$47	\$1,864,329	\$1,689,833	-9.4%
<b>Total Liabilities</b>	<b>\$27,845,857</b>	<b>\$26,263,192</b>	<b>\$1,296,594</b>	<b>\$1,195,249</b>	<b>\$29,142,451</b>	<b>\$27,458,441</b>	<b>-5.8%</b>
Deferred Inflows of Resources	\$812,567	\$1,341,314	\$127,526	\$141,703	\$940,093	\$1,483,017	57.8%
<b>Net Position</b>							
Investment in Capital Assets							
Assets	\$10,309,917	\$10,557,362	\$270,335	\$276,671	\$10,580,252	\$10,834,033	2.4%
Restricted	\$84,507	\$540,854			\$84,507	\$540,854	540.0%
Unrestricted	-\$5,483,957	-\$5,920,259	-\$463,064	-\$459,136	-\$5,947,021	-\$6,379,395	7.3%
<b>Total Net Position</b>	<b>\$4,910,467</b>	<b>\$5,177,957</b>	<b>-\$192,729</b>	<b>-\$182,465</b>	<b>\$4,717,738</b>	<b>\$4,995,492</b>	<b>5.9%</b>

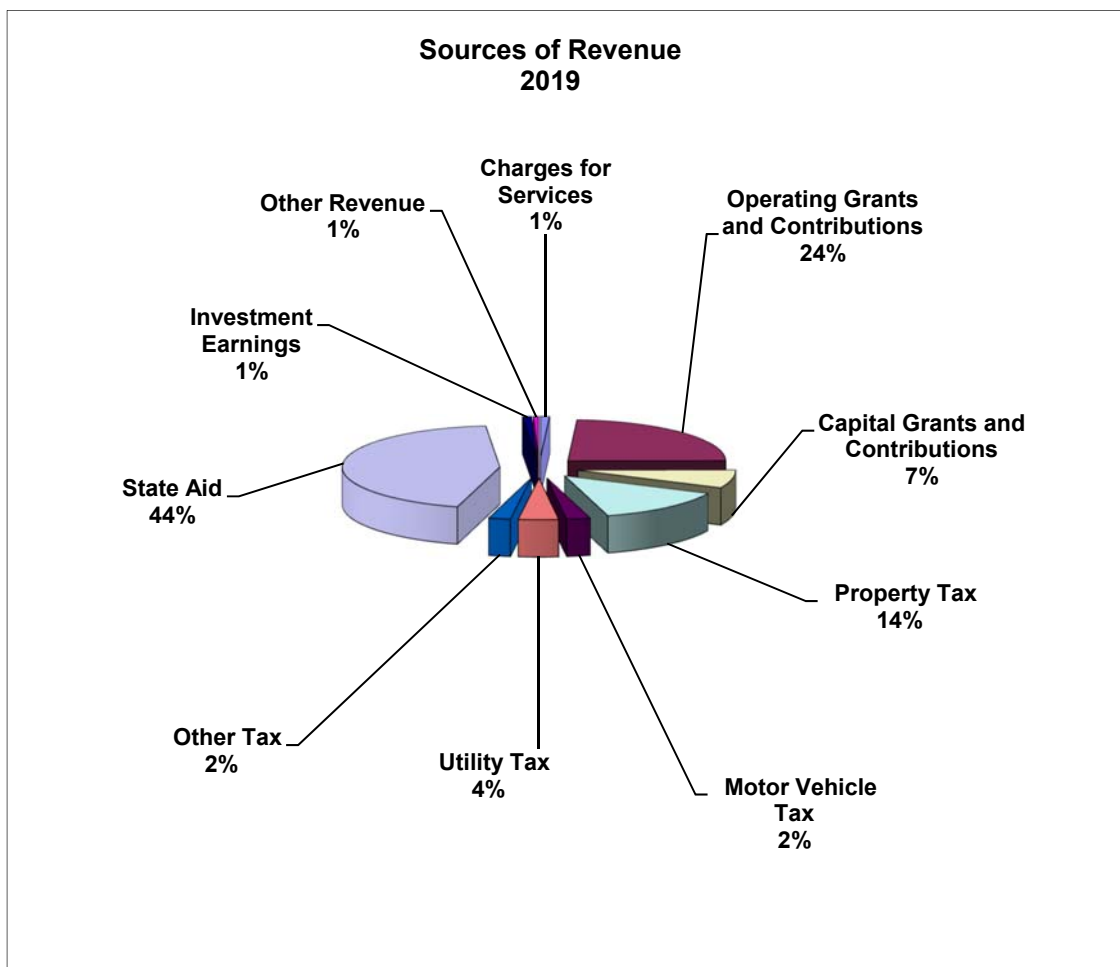
At year-end, assets exceeded liabilities by \$4,995,492.

Todd County Net Position Increased by 6% or \$277,754



## Changes in Net Position for June 30, 2018 and June 30, 2019

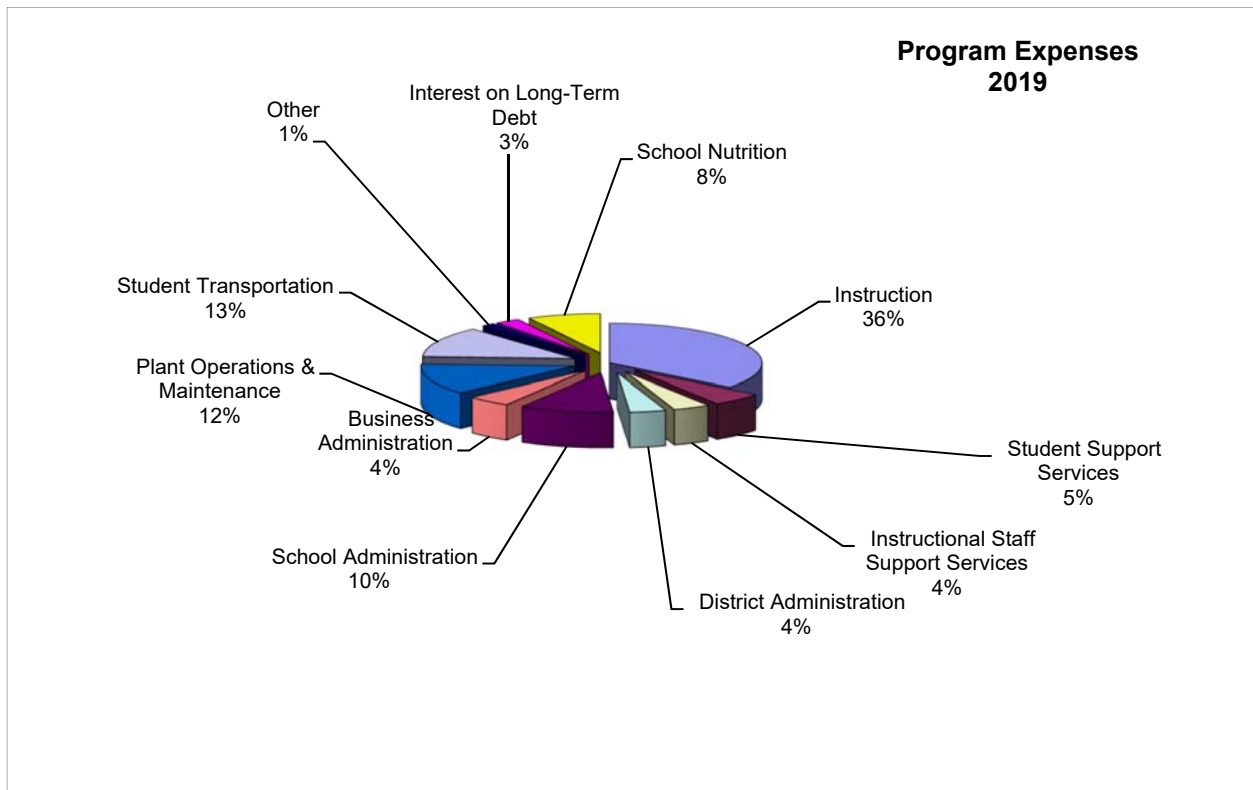
	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change 2018-2019
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	
<b>Program Revenues</b>							
Charges for Services	\$28,145	\$25,740	\$212,547	\$137,530	\$240,692	\$163,270	-32.2%
Operating Grants and Contributions	\$2,864,158	\$2,920,544	\$1,221,561	\$1,249,095	\$4,085,719	\$4,169,639	2.1%
Capital Grants and Contributions	\$1,192,914	\$1,232,862			\$1,192,914	\$1,232,862	3.3%
<b>General Revenue</b>							
<b>Taxes</b>							
Property Tax	\$2,418,125	\$2,364,120			\$2,418,125	\$2,364,120	-2.2%
Motor Vehicle Tax	\$404,032	\$420,573			\$404,032	\$420,573	4.1%
Utility Tax	\$702,439	\$710,364			\$702,439	\$710,364	1.1%
Other Tax	\$341,618	\$387,801			\$341,618	\$387,801	13.5%
State Aid	\$15,709,355	\$7,690,599			\$15,709,355	\$7,690,599	-51.0%
Investment Earnings	\$82,254	\$147,513	\$6,652	\$11,728	\$88,906	\$159,241	79.1%
Other Revenue	\$209,488	\$158,611	-\$57,990	-\$67,077	\$151,498	\$91,534	-39.6%
<b>Total Revenues</b>	<b>\$23,952,528</b>	<b>\$16,058,727</b>	<b>\$1,382,770</b>	<b>\$1,331,276</b>	<b>\$25,335,298</b>	<b>\$17,390,003</b>	<b>-31.4%</b>





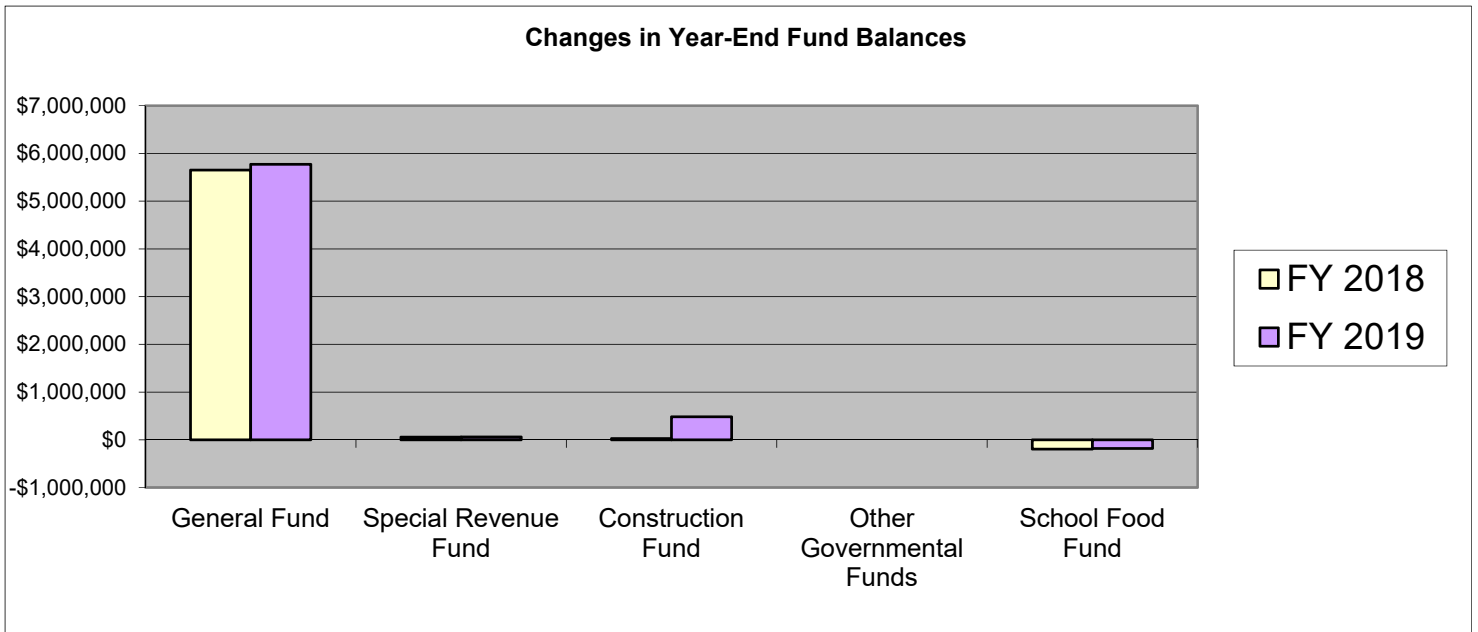
Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	2018-2019
Instruction	\$12,926,044	\$6,085,457			\$12,926,044	\$6,085,457	-52.9%
Support Services							
Student Support Services	\$1,386,123	\$928,433			\$1,386,123	\$928,433	-33.0%
Instructional Staff	\$1,268,999	\$664,005			\$1,268,999	\$664,005	-47.7%
District Administration	\$765,682	\$653,255			\$765,682	\$653,255	-14.7%
School Administration	\$2,231,217	\$1,696,717			\$2,231,217	\$1,696,717	-24.0%
Business Administration	\$689,681	\$795,959			\$689,681	\$795,959	15.4%
Plant Operations & Maintenance	\$2,098,102	\$2,144,498			\$2,098,102	\$2,144,498	2.2%
Student Transportation	\$1,817,989	\$2,146,145			\$1,817,989	\$2,146,145	18.1%
Other	\$254,417	\$221,172			\$254,417	\$221,172	-13.1%
Interest on Long-Term Debt	\$460,625	\$442,786			\$460,625	\$442,786	-3.9%
Engineering Services	\$0	\$12,810			\$0	\$12,810	0.0%
School Nutrition			\$1,446,169	\$1,321,012	\$1,446,169	\$1,321,012	-8.7%
Day Care			\$15,170	\$0		\$0	
<b>Total Expenses</b>	<b>\$23,898,879</b>	<b>\$15,791,237</b>	<b>\$1,461,339</b>	<b>\$1,321,012</b>	<b>\$25,360,218</b>	<b>\$17,112,249</b>	<b>-32.5%</b>

- The District's total revenues were \$17,390,003 and the total expenditures were \$17,112,249. Revenues exceeded expenses by \$277,754.
- State revenues accounted for 44% and local taxes accounted for 20% of the revenue.
- Instruction was the major expense category and accounted for 36% of the total.
- School Nutrition expenses exceeded revenues by \$10,264 and Governmental revenues exceeded expenses by \$267,490.



## Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2018	FY 2019	Amount of Change	% Change
General Fund	\$5,652,606	\$5,771,692	\$119,086	2%
Special Revenue Fund	\$56,459	\$59,276	\$2,817	5%
Construction Fund	\$28,048	\$481,578	\$453,530	1617%
Other Governmental Funds	\$0	\$0	\$0	0%
School Nutrition Fund	-\$192,729	-\$182,465	\$10,264	-5%
Total	\$5,544,384	\$6,130,081	\$585,697	11%



- The General Fund's fund balance showed an increase of \$119,086.
- The Special Revenue fund had increased by \$2,817. The only fund left in the Special Revenue fund is technology at year end.
- The Construction fund showed an increase in fund balance of \$453,530.
- The School Nutrition fund balance showed an increase of \$10,264.

## Comments on General Fund and Special Revenue Budget Comparisons

- The District's General Fund total revenues for the fiscal year ended June 30, 2019, net of interfund transfers, were \$16,925,760. This is \$1,656,110 more than was budgeted in the final working budget. The District budgets for its local revenues (taxes, earned interest, and tuition) in a conservative manner. Thus, local revenues were higher than budgeted \$287,836.
- Other Financing Sources show a \$1,449,689 surplus. The major reason is because in this category the district's contingency was budgeted. The contingency is not meant to be expended, but is to be used as the district's beginning balance for next year. The contingency budgeted was actually \$1,700,000.
- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

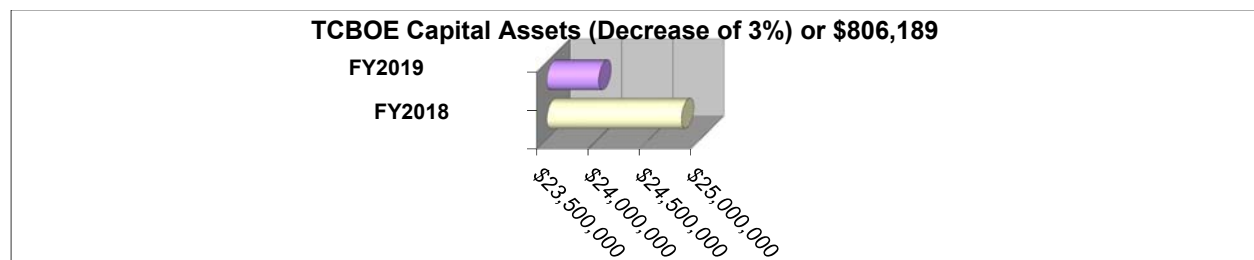
## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By June 30, 2019 the district had invested \$24,001,887 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total initial cost of assets was \$46,816,296 with accumulated depreciation of \$22,814,409.

### SUMMARY OF CAPITAL ASSETS

Capital Assets (net of depreciation)	Government Activities		Proprietary Business-Type Activities		District Total	
	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019
	Land	\$4,215,072	\$4,215,072	\$0	\$0	\$4,215,072
Construction in Progress	\$0	\$132,289	\$0	\$0	\$0	\$132,289
Buildings	\$17,655,753	\$16,704,248	\$203,608	\$169,202	\$17,859,361	\$16,873,450
Equipment & Furniture	\$2,666,916	\$2,673,607	\$66,727	\$107,469	\$2,733,643	\$2,781,076
<b>Total Assets</b>	<b>\$24,537,741</b>	<b>\$23,725,216</b>	<b>\$270,335</b>	<b>\$276,671</b>	<b>\$24,808,076</b>	<b>\$24,001,887</b>



## Long-Term Debt

The District's long-term general obligation bonds outstanding at June 30, 2019 were \$13,325,522. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to repay \$1,576,957 of the bonds leaving the District to pay \$11,748,565.

### Outstanding Debt at Year End

	<b>Governmental Activities 2018</b>	<b>Governmental Activities 2019</b>
<b>General Obligation Bonds:</b>		
Series 2009 Refinance 1998A and 1998B	\$685,000	\$ 0
Series 2010 Refunding Revenue	\$1,390,000	\$1,355,000
Series 2011 Refunding Revenue	\$1,915,000	\$1,870,000
Series 2013 Refunding Revenue	\$1,880,000	\$1,630,000
KISTA 2014	\$329,221	\$273,522
Series 2014 Refunding Revenue	\$7,600,000	\$7,445,000
Series 2016 Refunding Revenue	\$784,000	\$752,000
<b>Total</b>	<b><u>\$ 14,583,221</u></b>	<b><u>\$ 13,325,522</u></b>

## **BUDGETARY IMPLICATIONS**

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

Approximately 20% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth through seventh months. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year. The district has an ending fund balance of \$5,771,692.

By law, the budget must have a minimum 2% contingency. The district adopted a budget with \$1,700,000 in contingency. Significant Board action that impacts finances include pay raises for all employees, additional spending on students and classroom technology needs and general fund matching dollars for other grants. The district currently participates in thirty federal and state grants. The total budget for these grants is \$2,965,520. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

## **DISTRICT CHALLENGES FOR THE FUTURE**

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

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

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

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

Todd County School District  
Statement of Net Position

<i>June 30, 2019</i>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash	\$ 6,025,549	\$ 547,142	\$ 6,572,691
Accounts receivable:			
Taxes	147,973	-	147,973
Accounts	38,388	-	38,388
Intergovernmental	289,227	-	289,227
Inventory	-	23,725	23,725
Non-depreciable capital assets	4,347,361	-	4,347,361
Depreciable capital assets	41,157,890	1,311,045	42,468,935
Less: accumulated depreciation	(21,780,035)	(1,034,374)	(22,814,409)
<b>Total assets</b>	<b>30,226,353</b>	<b>847,538</b>	<b>31,073,891</b>
<b>Deferred Outflows of Resources</b>			
Deferred loss on debt refundings	329,297	-	329,297
OPEB related	730,339	79,995	810,334
Pension related	1,496,474	226,954	1,723,428
<b>Total deferred outflows of resources</b>	<b>2,556,110</b>	<b>306,949</b>	<b>2,863,059</b>
<b>Liabilities</b>			
Accounts payable	97,531	47	97,578
Accrued liabilities	21,606	-	21,606
Unearned revenue	69,454	-	69,454
Accrued interest	142,303	-	142,303
Long-term obligations:			
Due within one year:			
Outstanding bonds	1,124,694	-	1,124,694
Other	94,643	-	94,643
Compensated absences	139,555	-	139,555
Due beyond one year:			
Outstanding bonds	12,187,134	-	12,187,134
Other	90,680	-	90,680
Compensated absences	327,947	-	327,947
Net OPEB liability	5,865,755	269,794	6,135,549
Net pension liability	6,101,890	925,408	7,027,298
<b>Total liabilities</b>	<b>26,263,192</b>	<b>1,195,249</b>	<b>27,458,441</b>

*See accompanying notes to the financial statements.*

Todd County School District  
Statement of Net Position

<i>June 30, 2019</i>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Deferred Inflows of Resources</b>			
OPEB related	777,017	56,122	833,139
Pension related	564,297	85,581	649,878
<b>Total deferred inflows of resources</b>	<b>1,341,314</b>	<b>141,703</b>	<b>1,483,017</b>
<b>Net Position</b>			
Net investment in capital assets	10,557,362	276,671	10,834,033
Restricted for:			
Grant programs	59,276	-	59,276
Capital projects	481,578	-	481,578
Unrestricted	(5,920,259)	(459,136)	(6,379,395)
<b>Total net position</b>	<b>\$ 5,177,957</b>	<b>\$ (182,465)</b>	<b>\$ 4,995,492</b>

*See accompanying notes to the financial statements.*



Todd County School District  
Statement of Activities

Year Ended June 30, 2019	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 6,085,457	\$ 25,040	\$ 2,171,794	\$ 71,610	\$ (3,817,013)	\$ -	\$ (3,817,013)
Support Services:							
Student	928,433	-	15,467	-	(912,966)	-	(912,966)
Instructional staff	664,005	-	364,591	-	(299,414)	-	(299,414)
District administration	653,255	-	-	-	(653,255)	-	(653,255)
School administration	1,696,717	-	-	-	(1,696,717)	-	(1,696,717)
Business	795,959	-	-	-	(795,959)	-	(795,959)
Plant operations and maintenance	2,144,498	700	26,647	-	(2,117,151)	-	(2,117,151)
Student transportation	2,146,145	-	149,590	-	(1,996,555)	-	(1,996,555)
Other	221,172	-	192,455	-	(28,717)	-	(28,717)
Architectural & engineering services	12,810	-	-	-	(12,810)	-	(12,810)
Interest on long-term debt	442,786	-	-	1,161,252	718,466	-	718,466
<b>Total governmental activities</b>	<b>15,791,237</b>	<b>25,740</b>	<b>2,920,544</b>	<b>1,232,862</b>	<b>(11,612,091)</b>	<b>-</b>	<b>(11,612,091)</b>
<b>Business-Type Activities:</b>							
Food services	1,321,012	137,530	1,249,095	-	-	65,613	65,613
<b>Total business-type activities</b>	<b>1,321,012</b>	<b>137,530</b>	<b>1,249,095</b>	<b>-</b>	<b>-</b>	<b>65,613</b>	<b>65,613</b>
<b>Total school district</b>	<b>\$ 17,112,249</b>	<b>\$ 163,270</b>	<b>\$ 4,169,639</b>	<b>\$ 1,232,862</b>	<b>(11,612,091)</b>	<b>65,613</b>	<b>(11,546,478)</b>

See accompanying notes to the financial statements.

Todd County School District  
Statement of Activities

**Net (Expense) Revenue and  
Changes in Net Position**

<i>Year Ended June 30, 2019</i>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>General Revenues</b>			
Taxes:			
Property	2,364,120	-	2,364,120
Motor vehicle	420,573	-	420,573
Utilities	710,364	-	710,364
Unmined minerals	617	-	617
Other	387,184	-	387,184
State aid	7,690,599	-	7,690,599
Investment earnings	147,513	11,728	159,241
Other	102,653	451	103,104
Transfers	67,528	(67,528)	-
Loss on disposal of assets	(11,570)	-	(11,570)
<b>Total general revenues and transfers</b>	<b>11,879,581</b>	<b>(55,349)</b>	<b>11,824,232</b>
Change in net position	267,490	10,264	277,754
Net position - beginning of year	4,910,467	(192,729)	4,717,738
<b>Net position - end of year</b>	<b>\$ 5,177,957</b>	<b>\$ (182,465)</b>	<b>\$ 4,995,492</b>

See accompanying notes to the financial statements.

Todd County School District  
Balance Sheet  
Governmental Funds

<i>June 30, 2019</i>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash	\$ 5,539,257	\$ -	\$ 486,292	\$ 6,025,549
Accounts receivable:				
Taxes	147,973	-	-	147,973
Accounts	38,388	-	-	38,388
Intergovernmental	-	289,227	-	289,227
Due from other funds	154,471	-	-	154,471
<b>Total assets</b>	<b>\$ 5,880,089</b>	<b>\$ 289,227</b>	<b>\$ 486,292</b>	<b>\$ 6,655,608</b>

Todd County School District  
Balance Sheet  
Governmental Funds

<i>June 30, 2019</i>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 86,791	\$ 6,026	\$ 4,714	\$ 97,531
Accrued liabilities	21,606	-	-	21,606
Due to other funds	-	154,471	-	154,471
Unearned revenue	-	69,454	-	69,454
<b>Total liabilities</b>	<b>108,397</b>	<b>229,951</b>	<b>4,714</b>	<b>343,062</b>
<b>Fund Balances</b>				
Restricted	-	59,276	481,578	540,854
Committed	3,690,500	-	-	3,690,500
Unassigned	2,081,192	-	-	2,081,192
<b>Total fund balances</b>	<b>5,771,692</b>	<b>59,276</b>	<b>481,578</b>	<b>6,312,546</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,880,089</b>	<b>\$ 289,227</b>	<b>\$ 486,292</b>	<b>\$ 6,655,608</b>

*See accompanying notes to the financial statements.*

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

<i>June 30,</i>	2019
Total fund balances – governmental funds	\$ 6,312,546
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$45,505,251 and the accumulated depreciation is \$21,780,035.	23,725,216
Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the fund statements.	932,177
Deferred outflows and inflows of resources related to OPEB are applicable to future periods, therefore, are not reported in the fund statements.	(46,678)
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources.	329,297
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable	(13,311,828)
Accrued interest on outstanding bonds	(142,303)
Other debt	(185,323)
Compensated absences	(467,502)
Net OPEB liability	(5,865,755)
Net pension liability	(6,101,890)
Total net position – governmental activities	\$ 5,177,957

*See accompanying notes to the financial statements.*

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

<i>Year Ended June 30, 2019</i>	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
From local sources:				
Taxes:				
Property	\$ 1,720,462	\$ -	\$ 643,658	\$ 2,364,120
Motor vehicle	420,573	-	-	420,573
Utilities	710,364	-	-	710,364
Unmined minerals	617	-	-	617
Other	387,184	-	-	387,184
Tuition and fees	25,040	-	-	25,040
Earnings on investments	140,325	1,009	7,188	148,522
Other local revenue	57,006	-	-	57,006
Intergovernmental - state	13,409,983	1,370,290	1,161,252	15,941,525
Direct federal	54,206	-	-	54,206
Intergovernmental - federal	-	1,620,855	-	1,620,855
<b>Total revenues</b>	<b>16,925,760</b>	<b>2,992,154</b>	<b>1,812,098</b>	<b>21,730,012</b>
<b>Expenditures</b>				
Current:				
Instruction	8,817,936	2,276,042	-	11,093,978
Support services:				
Student	1,237,142	15,467	-	1,252,609
Instructional staff	626,023	364,591	-	990,614
District administration	549,152	-	-	549,152
School administration	1,396,888	-	-	1,396,888
Business	623,361	-	-	623,361
Plant operations and maintenance	1,650,431	26,647	-	1,677,078
Student transportation	1,491,065	149,590	-	1,640,655

*See accompanying notes to the financial statements.*

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

<i>Year Ended June 30, 2019</i>	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Other	18,495	192,455	-	210,950
Debt service:				
Principal	-	-	1,257,699	1,257,699
Interest	-	-	384,024	384,024
Architectural & engineering services	12,810	-	132,289	145,099
<b>Total expenditures</b>	<b>16,423,303</b>	<b>3,024,792</b>	<b>1,774,012</b>	<b>21,222,107</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>502,457</b>	<b>(32,638)</b>	<b>38,086</b>	<b>507,905</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers-in	67,878	154,234	2,007,871	2,229,983
Operating transfers-out	(451,249)	(118,779)	(1,592,427)	(2,162,455)
<b>Total other financing sources (uses)</b>	<b>(383,371)</b>	<b>35,455</b>	<b>415,444</b>	<b>67,528</b>
<b>Net change in fund balances</b>	<b>119,086</b>	<b>2,817</b>	<b>453,530</b>	<b>575,433</b>
<b>Fund balances - beginning of year</b>	<b>5,652,606</b>	<b>56,459</b>	<b>28,048</b>	<b>5,737,113</b>
<b>Fund balances - end of year</b>	<b>\$ 5,771,692</b>	<b>\$ 59,276</b>	<b>\$ 481,578</b>	<b>\$ 6,312,546</b>

*See accompanying notes to the financial statements.*

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

<i>Year Ended June 30,</i>	2019
Total net change in fund balances – governmental funds	\$ 575,433
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation, \$1,441,014, exceeds capital outlays, \$411,540, in the period.	(1,029,474)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(19,429)
Repayment of bond principal and other debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,363,686
Government funds report District pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	417,373
Cost of benefits earned net of employee contributions	(922,847)
Government funds report District OPEB contributions as expenditures. However, in the Statement of Activities the cost of OPEB benefits earned net of employee contributions is reported as pension expense.	
District OPEB contributions	324,666
Cost of benefits earned net of employee contributions	(403,409)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	(38,509)
Change in net position - governmental activities	\$ 267,490

*See accompanying notes to the financial statements.*



Todd County School District  
Statement of Net Position  
Proprietary Funds

<i>June 30, 2019</i>	<b>Enterprise Fund Food Service</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 547,142
Inventory	23,725
<hr/>	
Total current assets	570,867
<hr/>	
<b>Non-Current Assets</b>	
Fixed assets - net	276,671
<hr/>	
Total assets	847,538
<hr/>	
<b>Deferred Outflows of Resources</b>	
OPEB related	79,995
Pension related	226,954
<hr/>	
Total deferred outflows of resources	306,949
<hr/>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	47
<hr/>	
Total current liabilities	47
<hr/>	
<b>Long-Term Liabilities</b>	
Net OPEB liability	269,794
Net pension liability	925,408
<hr/>	
Total long-term liabilities	1,195,202
<hr/>	
<b>Deferred Inflows of Resources</b>	
OPEB related	56,122
Pension related	85,581
<hr/>	
Total deferred inflows of resources	141,703
<hr/>	
<b>Net Position</b>	
Net investment in capital assets	276,671
Unrestricted	(459,136)
<hr/>	
Total net position	\$ (182,465)
<hr/>	

*See accompanying notes to the financial statements.*

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

<i>Year Ended June 30, 2019</i>	<b>Enterprise Fund Food Service</b>
<hr/>	
<b>Operating Revenues</b>	
Lunchroom sales	\$ 137,530
<hr/>	
Total operating revenues	137,530
<hr/>	
<b>Operating Expenses</b>	
Salaries and wages	617,001
Contract services	16,864
Materials and supplies	631,137
Other operating expenses	5,088
Depreciation expense	48,662
<hr/>	
Total operating expenses	1,318,752
<hr/>	
Operating loss	(1,181,222)
<hr/>	
<b>Non-Operating Revenues</b>	
State operating grants	111,679
Federal operating grants	1,064,002
Donated commodities	73,414
Interest revenue	11,728
Other revenue	451
Loss on disposal of assets	(2,260)
<hr/>	
Total non-operating revenues	1,259,014
<hr/>	
Income before transfers	77,792
<hr/>	
Transfers	(67,528)
<hr/>	
Change in net position	10,264
<hr/>	
Net position - beginning of year	(192,729)
<hr/>	
Net position - end of year	\$ (182,465)
<hr/> <hr/>	

*See accompanying notes to the financial statements.*

Todd County School District  
Statement of Cash Flows  
Proprietary Funds

<i>Year Ended June 30, 2019</i>	<b>Enterprise Fund Food Service</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from user charges	\$ 137,530
Cash payments to employees for services	(506,172)
Cash payments for contract services	(16,864)
Cash payments to suppliers for goods and services	(547,549)
Cash payments for other operating expenses	(5,088)
Net cash used in operating activities	(938,143)
<b>Cash Flows from Non-Capital Financing Activities</b>	
Indirect cost transfer to general fund	(67,528)
Non-operating grants received	1,076,054
Net cash provided by non-capital financing activities	1,008,526
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of capital assets	(57,258)
Net cash used in capital and related financing activities	(57,258)
<b>Cash Flows from Investing Activities</b>	
Interest on investments	11,728
Net cash provided by investing activities	11,728
Net increase in cash	24,853
Cash - beginning of year	522,289
Cash - end of year	\$ 547,142

*See accompanying notes to the financial statements.*

Todd County School District  
Statement of Cash Flows  
Proprietary Funds

		Enterprise Fund Food Service
<i>Year Ended June 30, 2019</i>		
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities</b>		
Operating loss	\$	(1,181,222)
<b>Adjustments To Reconcile Operating Loss To Net Cash Used In Operating Activities:</b>		
Depreciation		48,662
Commodities used		73,414
On-behalf payments received		100,078
Pension contributions in excess of pension expense		22,582
OPEB contributions in excess of OPEB expense		(11,831)
Changes in assets and liabilities:		
Inventories		10,564
Accounts payable		(390)
<b>Net cash used in operating activities</b>	<b>\$</b>	<b>(938,143)</b>

**Noncash Activities**

- The food service fund received \$73,414 of donated commodities from the federal government.
- The District received on-behalf payments of \$100,078 relating to insurance benefits.
- The District reclassified \$63,298 related to pension expense to deferred outflows of resources.
- The District reclassified \$20,542 related to OPEB expense to deferred outflows of resources.

*See accompanying notes to the financial statements.*

Todd County School District  
Statement of Fiduciary Net Position  
Fiduciary Funds

<i>June 30, 2019</i>		<b>Agency Fund</b>
<hr/>		
<b>Assets</b>		
Cash	\$	261,287
Accounts receivable		1,008
<hr/>		
Total assets	\$	262,295
<hr/> <hr/>		
<b>Liabilities</b>		
Due to student groups	\$	262,295
<hr/>		
Total liabilities	\$	262,295
<hr/> <hr/>		

*See accompanying notes to the financial statements.*

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

***Reporting Entity***

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Todd County School District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc., except those funds administered as an activity in the agency funds.

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

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Presentation***

**Government-Wide Financial Statements** — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

The District has the following funds:

**Governmental Fund Types**

The *General Fund* is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balances are considered as resources available for use. The general fund is a major fund.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Presentation (Continued)***

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards. The special revenue fund is a major fund.

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

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified in the District's facility plan and certain operating costs.

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

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

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

**Proprietary Fund Types**

*Enterprise Fund*

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



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Presentation (Continued)***

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

**Fiduciary Fund Types** (includes agency funds)

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

*Agency Funds*

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

***Measurement Focus and Basis of Accounting***

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

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Estimates***

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

***Inventory***

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

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Capital Assets (Continued)***

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

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

***Deferred Outflows of Resources – Pension Related and Debt Refundings***

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Deferred Inflows of Resources – Pension Related***

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

***Deferred Inflows and Outflows of Resources – OPEB Related***

The District's statement of net position reports a separate section for deferred inflows and outflows of resources related to OPEB which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

***Net Pension Liability***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teacher Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 7 provides further detail on the net pension liability.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Net Other Post-Employment Benefits (OPEB) Liability***

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Certified Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB 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. Note 8 provides further detail on the net OPEB liability.

***Post-Employment Health Care Benefits***

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

***Unearned Revenue***

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

***Compensated Absences***

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

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Accrued Liabilities and Long-Term Obligations***

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

***Net Position***

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

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

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

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

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

***Property Taxes***

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Revenues — Exchange and Nonexchange Transactions***

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

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

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

***Interfund Activity***

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

***Interfund Balances***

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Contributions of Capital***

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

***Operating Revenues and Expenses***

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

***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 8, 2019, which was the date the financial statements were made available.

***Recent Accounting Pronouncements***

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

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



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Recent Accounting Pronouncements (Continued)***

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the requirements of this Statement.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District is evaluating the requirements of this Statement.

Todd County School District  
Notes to the Financial Statements

**NOTE 2: CASH**

*Deposits*

At June 30, 2019, the carrying amounts of the District's cash in deposits were \$6,833,978 and the bank balances were \$7,321,917, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

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

<i>June 30,</i>	<i>2019</i>
Governmental funds	\$ 6,025,549
Proprietary fund	547,142
Fiduciary funds	261,287
	\$ 6,833,978

*Custodial Credit Risk Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$7,321,917 was not exposed to custodial credit risk as of June 30, 2019.

**NOTE 3: INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2019 consist of the following:

<i>June 30, 2019</i>		
<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Special Revenue Fund	\$ 154,471

The amounts represent interfund loans between the general fund and special revenue fund that are necessary to fulfill the current cash requirements of the special revenue fund.

Todd County School District  
Notes to the Financial Statements

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

<i>June 30, 2019</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
<b>Governmental Activities:</b>				
Capital assets that are not depreciated:				
Land	\$ 4,215,072	\$ -	\$ -	\$ 4,215,072
Construction in progress	-	132,289	-	132,289
<b>Total non-depreciable historical cost</b>	<b>4,215,072</b>	<b>132,289</b>	<b>-</b>	<b>4,347,361</b>
Capital assets that are depreciated:				
Land improvements	1,120,054	-	135,890	984,164
Buildings and improvements	31,875,596	-	-	31,875,596
Technology equipment	2,267,732	285,356	331,258	2,221,830
Vehicles	3,216,934	206,110	-	3,423,044
General	2,670,861	24,163	41,768	2,653,256
<b>Total depreciable historical cost</b>	<b>41,151,177</b>	<b>515,629</b>	<b>508,916</b>	<b>41,157,890</b>
Less accumulated depreciation for:				
Land improvements	1,075,304	9,018	135,890	948,432
Buildings and improvements	14,264,593	942,487	-	15,207,080
Technology equipment	1,764,042	239,813	329,813	1,674,042
Vehicles	2,713,592	104,817	-	2,818,409
General	1,010,977	144,879	23,784	1,132,072
<b>Total accumulated depreciation</b>	<b>20,828,508</b>	<b>1,441,014</b>	<b>489,487</b>	<b>21,780,035</b>
<b>Total depreciable historical cost, net</b>	<b>20,322,669</b>	<b>(925,385)</b>	<b>19,429</b>	<b>19,377,855</b>
<b>Governmental activities, capital assets, net</b>	<b>\$ 24,537,741</b>	<b>\$ (793,096)</b>	<b>\$ 19,429</b>	<b>\$ 23,725,216</b>

Todd County School District  
Notes to the Financial Statements

**NOTE 4: CAPITAL ASSETS (CONTINUED)**

<i>June 30, 2019</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
<b>Business-Type Activities:</b>				
Buildings and improvements	\$ 930,627	\$ -	\$ -	\$ 930,627
Technology equipment	21,909	-	3,790	18,119
General	356,722	57,258	51,681	362,299
<b>Total depreciable historical cost</b>	<b>1,309,258</b>	<b>57,258</b>	<b>55,471</b>	<b>1,311,045</b>
Less accumulated depreciation for:				
Buildings and improvements	727,019	34,406	-	761,425
Technology equipment	13,207	3,082	3,790	12,499
General	298,697	11,174	49,421	260,450
<b>Total accumulated depreciation</b>	<b>1,038,923</b>	<b>48,662</b>	<b>53,211</b>	<b>1,034,374</b>
<b>Total depreciable historical cost, net</b>	<b>270,335</b>	<b>8,596</b>	<b>2,260</b>	<b>276,671</b>
Business-type activities, capital assets, net	\$ 270,335	\$ 8,596	\$ 2,260	\$ 276,671

Depreciation expense was charged to governmental functions as follows:

<i>Year ended June 30,</i>	<i>2019</i>
Instruction	\$ 534,446
Support services:	
Student	68,254
Instructional staff	40,054
District administration	122,763
School administration	448,887
Business	256
Facilities operations	118,822
Student transportation	107,532
<b>Total depreciation expense</b>	<b>\$ 1,441,014</b>

Todd County School District  
Notes to the Financial Statements

**NOTE 5: LONG-TERM OBLIGATIONS**

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

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

The District, through the General Fund, including utility taxes and the SEEK capital outlay fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Todd County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

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

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

Todd County School District  
Notes to the Financial Statements

**NOTE 5: LONG-TERM OBLIGATIONS (CONTINUED)**

Year	Todd County School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2019-2020	992,093	323,898	132,601	40,605	1,489,197
2020-2021	1,021,077	296,487	136,611	37,558	1,491,733
2021-2022	1,064,992	267,277	138,691	34,412	1,505,372
2022-2023	1,078,848	243,298	140,883	31,152	1,494,181
2023-2024	1,134,567	205,882	136,159	27,699	1,504,307
2024-2025	1,126,438	173,687	142,562	24,154	1,466,841
2025-2026	1,144,762	141,752	125,238	20,650	1,432,402
2026-2027	790,142	113,722	64,858	17,993	986,715
2027-2028	809,386	89,729	65,614	16,016	980,745
2028-2029	838,607	65,009	66,393	14,016	984,025
2029-2030	862,802	39,488	72,198	11,916	986,404
2030-2031	884,851	13,273	65,149	9,827	973,100
2031-2032	-	-	45,000	8,159	53,159
2032-2033	-	-	45,000	6,786	51,786
2033-2034	-	-	50,000	5,338	55,338
2034-2035	-	-	50,000	3,813	53,813
2035-2036	-	-	50,000	2,288	52,288
2036-2037	-	-	50,000	763	50,763
	\$ 11,748,565	\$ 1,973,502	\$ 1,576,957	\$ 313,145	\$ 15,612,169

Maturities of other debt, which consists of lease obligations of \$185,323, are as follow for the fiscal years ending:

June 30,	
2020	\$ 94,643
2021	90,680
	\$ 185,323

Todd County School District  
Notes to the Financial Statements

**NOTE 5: LONG-TERM OBLIGATIONS (CONTINUED)**

Changes in long-term obligations are as follows:

<i>June 30, 2019</i>	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds and notes payable:					
Bonds	\$ 14,583,221	\$ -	\$ (1,257,699)	\$ 13,325,522	\$ 1,124,694
Less discounts	(19,796)	-	6,102	(13,694)	-
<b>Total bonds and notes payable</b>	<b>14,563,425</b>	<b>-</b>	<b>(1,251,597)</b>	<b>13,311,828</b>	<b>1,124,694</b>
Other liabilities:					
Compensated absences	487,755	68,947	(89,200)	467,502	139,555
Other	54,932	236,378	(105,987)	185,323	94,643
<b>Total other liabilities</b>	<b>542,687</b>	<b>305,325</b>	<b>(195,187)</b>	<b>652,825</b>	<b>234,198</b>
<b>Total long-term liabilities</b>	<b>\$ 15,106,112</b>	<b>\$ 305,325</b>	<b>\$ (1,446,784)</b>	<b>\$ 13,964,653</b>	<b>\$ 1,358,892</b>

**NOTE 6: FUND BALANCES**

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

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

*Restricted fund balances* arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2019, the District had \$481,578 restricted for capital projects in the construction fund and \$59,276 restricted in the special revenue fund for grant programs.

**NOTE 6: FUND BALANCES (CONTINUED)**

*Committed fund balances* are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2019: \$205,500 for compensated absences, \$500,000 for future construction and \$2,985,000 for a minimum fund balance policy.

*Assigned fund balances* are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to the site base carryforward at June 30, 2019 was \$0. Assigned fund balances also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2019 in the governmental funds balance sheet.

**NOTE 7: PENSION PLANS**

**Pensions**

Todd County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a blended component unit of the Commonwealth of Kentucky and the County Employees' Retirement System (CERS), a blended component unit of the Commonwealth of Kentucky. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the KTRS and the CERS and additions to/deductions from KTRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by KTRS and CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



**NOTE 7: PENSION PLANS (CONTINUED)**

**General Information About the KTRS Pension Plan**

**Plan Description**

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth.

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

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

**Benefits Provided**

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

**For Members Hired Before July 1, 2008:**

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

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

Members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Members hired on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members hired after July 1, 2002 who retires with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation.

**NOTE 7: PENSION PLANS (CONTINUED)**

**Benefits Provided (continued)**

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

For Members Hired On or After July 1, 2008:

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

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

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

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

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

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

**Contributions**

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

Todd County School District  
Notes to the Financial Statements

**NOTE 7: PENSION PLANS (CONTINUED)**

**Contributions (continued)**

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

***Pension Liabilities and Pension Expense***

At June 30, 2019, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>29,975,778</u>
Total		<u><u>\$ 29,975,778</u></u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures.

For the year ended June 30, 2018, the District recognized pension expense of \$(3,621,503) and revenue of \$(3,621,503) for support provided by the State in the government wide financial statements.

**Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Projected salary increases	3.50 - 7.30%, including inflation
Inflation rate	3.00%
Municipal bond index rate	3.89%
Discount rate	7.50%

**NOTE 7: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (continued)**

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.20%
International Equity	22.0%	5.20%
Fixed Income	15.0%	1.20%
Additional Categories	8.0%	3.30%
Real Estate	6.0%	3.80%
Alternatives	7.0%	6.30%
Cash	2.0%	0.90%
Total	100.0%	

**NOTE 7: PENSION PLANS (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Plan Fiduciary Net Position**

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

**General Information About the CERS Pension Plan**

**Plan Description**

The District contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**Benefits Provided**

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

*Tier 1* - Non-Hazardous Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

**NOTE 7: PENSION PLANS (CONTINUED)**

**Benefits Provided (*continued*)**

*Tier 2* - Non-Hazardous Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute a total of 6% of their annual creditable compensation, while 1% of these contributions are deposited in an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

*Tier 3* - Non-Hazardous Tier 3 plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

**Contributions**

Employers participating in the CERS were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the KRS Board of Trustees on the basis of an annual valuation last preceding the July 1 of a new biennium. The KRS Board of Trustees may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board of Trustees. For the fiscal year ended June 30, 2019, participating employers contributed 16.22% of each employee's creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal years ended June 30, 2019 was 16.22%.

**NOTE 7: PENSION PLANS (CONTINUED)**

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

At June 30, 2019, the District reported a liability of \$7,027,298 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2018 contributions to the pension plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .115385%.

For the year ended June 30, 2019, the District recognized pension expense of \$1,009,982. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 229,211	\$ 102,865
Net difference between projected and actual investment earnings on pension plan investments	326,775	411,036
Change of assumptions	686,771	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	-	135,977
District contributions subsequent to the measurement date	480,671	-
Total	\$ 1,723,428	\$ 649,878

**NOTE 7: PENSION PLANS (CONTINUED)**

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

\$480,671 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2019	\$ 486,938
2020	238,442
2021	(94,785)
2022	(37,717)
2023	-

**Actuarial Assumptions**

The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

Inflation	2.30%
Salary Increases	3.05%
Investment Rate of Return	6.25%

However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have increased from 25% to the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.



**NOTE 7: PENSION PLANS (CONTINUED)**

**Long-Term Expected Rate of Return**

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
	100.00%	6.09%

**Discount Rate**

The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the KRS plan's CAFR.

**NOTE 7: PENSION PLANS (CONTINUED)**

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<b>1% Decrease (5.25%)</b>	<b>Current Discount Rate (6.25%)</b>	<b>1% Increase (7.25%)</b>
District's proportionate share of the net pension liability	\$ 8,846,641	\$ 7,027,298	\$ 5,503,008

**Pension Plan Fiduciary Net Position**

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

***Deferred Compensation Plans***

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

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the KTRS OPEB Plan**

**Plan Description**

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

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

***Medical Insurance Plan***

**Plan Description**

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

**Benefits Provided**

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan (KEHP) 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.

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Contributions**

In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. 3.75% is paid by member contributions and .75% from state appropriation and 3% 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.

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

At June 30, 2019, the District reported a liability of \$4,087,000 for its proportionate share of collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.117782%.

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

District's proportionate share of the net OPEB liability	\$ 4,087,000
State's proportionate share of the net OPEB liability	
<u>associated with the District</u>	<u>3,522,000</u>
<u>Total</u>	<u>\$ 7,609,000</u>

For the year ended June 30, 2019, the District recognized OPEB expense of \$425,000 and revenue of \$247,000 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Todd County School District  
Notes to the Financial Statements

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 209,000
Changes of assumptions	56,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	17,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	181,000
District contributions subsequent to measurement date	189,229	-
Total	\$ 245,229	\$ 407,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$189,229 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30,</u>	
2020	\$ (67,000)
2021	(67,000)
2022	(67,000)
2023	(60,000)
2024	(61,000)
Thereafter	(29,000)

**Actuarial Assumptions**

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

Todd County School District  
Notes to the Financial Statements

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions (continued)**

Inflation	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Projected Salary Increases	3.50% - 7.20%, including inflation
Investment Rate of Return	8.00%, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	3.89%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation
Discount Rate	8.00%
Healthcare Cost Trends:	
Under Age 65	7.75% for FYE 2018 decreasing to an ultimate rate of 5.00% by FYE 2024
Age 65 and Older	5.75% for FYE 2018 decreasing to an ultimate rate of 5.00% by FYE 2021
Medicare Part B Premiums	0.00% for FYE 2018 with an ultimate rate of 5.00% by 2030

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 demographic actuarial assumptions for retirement disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience studies for the OPEB Plan, which covered the five-year period ending June 30, 2015. The remaining actuarial assumptions used in the June 30, 2017 valuation of the Medical Insurance Fund (MIF) were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The health care cost trend rate assumption was updated for the June 30, 2017 valuation and was shown as an assumption change in the Total OPEB Liability (TOL) roll forward while the change in initial per capita claims costs were included with the experience in the TOL roll forward.

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.

Todd County School District  
Notes to the Financial Statements

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30-Year Expected Geometric Real Rate of Return
Global Equity	58.00%	4.60%
Fixed Income	9.00%	1.20%
Real Estate	5.50%	3.80%
Private Equity	6.50%	6.30%
Additional Categories	20.00%	3.30%
Cash (LIBOR)	1.00%	0.90%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate**

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

**Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate**

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the collective net OPEB liability	\$ 4,792,000	\$ 4,087,000	\$ 3,499,000

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Sensitivity of the District’s Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trends Rates**

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the collective net OPEB liability	\$ 3,389,000	\$ 4,087,000	\$ 4,948,000

**OPEB Plan Fiduciary Net Position**

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

***Life Insurance Plan***

**Plan Description**

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

**Benefits Provided**

TRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member’s estate or to a party designated by the member.

**Contributions**

In order to fund the post-retirement life insurance benefit, three hundredths of one percent (0.3%) of the gross annual payroll of members is contributed by the state.



**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

At June 30, 2019, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the state of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related Commonwealth of Kentucky (state) support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	60,000
Total	\$ 60,000

For the year ended June 30, 2019, the District recognized OPEB expense of \$10,000 and revenue of \$10,000 for support provided by the State in the government wide financial statements.

**Actuarial Assumptions**

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

Inflation	3.50%
Real Wage Growth	0.50%
Wage Inflation	4.00%
Projected Salary Increases	4.00% - 8.10%, including inflation
Investment Rate of Return	7.50%, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	3.89%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation
Discount Rate	7.50%

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results for the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions *(continued)***

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30-Year Expected Geometric Real Rate of Return
U.S. Equity	40.00%	4.20%
International Equity	23.00%	5.20%
Fixed Income	18.00%	1.20%
Real Estate	6.00%	3.80%
Private Equity	5.00%	6.30%
Additional Categories	6.00%	3.30%
Cash (LIBOR)	2.00%	0.90%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate**

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

**OPEB Plan Fiduciary Net Position**

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

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**General Information about the County Employees Retirement System's (CERS) OPEB Plan**

**Plan Description**

The District's employees are provided OPEB under the provisions of Kentucky Revised Statutes, the Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The CERS Insurance Fund is a cost sharing, multiple employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are all regular full-time members employed in non-hazardous duty positions of the District. OPEB may be extended to beneficiaries of the plan members under certain circumstances. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**Benefits Provided**

The CERS Insurance Fund provides hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**Contributions**

Employers participating in the CERS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2019, the required contribution was 5.26% of each employee's covered payroll. Contributions from the District to the CERS Insurance Fund for the year ended June 30, 2019, were \$155,979. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

**Implicit Subsidy**

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the no-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

Todd County School District  
Notes to the Financial Statements

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

At June 30, 2019, the District reported a liability of \$2,048,549 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on the District's share of 2018 contributions to the OPEB plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.115380%.

For the year ended June 30, 2019, the District recognized OPEB expense of approximately \$253,304.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 238,731
Net difference between projected and actual investment earnings on OPEB plan investments	-	141,105
Change of assumptions	409,126	4,733
Changes in proportion and differences between employer contributions and proportionate share of contribution	-	41,570
District contributions subsequent to the measurement date	<u>155,979</u>	<u>-</u>
Total	<u>\$ 565,105</u>	<u>\$ 426,139</u>

For the year ended June 30, 2019, \$155,979 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	
2019	\$ (752)
2020	(752)
2021	(752)
2022	26,653
2023	(25,824)
Thereafter	(15,587)

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Actuarial Assumptions**

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan’s fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions. There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

**Long-Term Expected Rate of Return**

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 tables below.

Todd County School District  
Notes to the Financial Statements

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Long-Term Expected Rate of Return (continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>US Equity</b>	<b>17.50%</b>	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
<b>Non US Equity</b>	<b>17.50%</b>	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
<b>Credit Fixed</b>	<b>24.00%</b>	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
	<u>100.00%</u>	6.09%

**Discount Rate**

The projection of cash flows used to determine the discount rate of 5.85% for CERS non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the OPEB Plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return of each major asset class are summarized in the KRS plan's CAFR.

**NOTE 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net OPEB liability as of June 30, 2019, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	<u>1% Decrease (4.85%)</u>	<u>Current Discount Rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
District's proportionate share of the collective net OPEB liability	\$ 2,660,737	\$ 2,048,549	\$ 1,527,077

**Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

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

	<u>1% Decrease</u>	<u>Current Healthcare Rate</u>	<u>1% Increase</u>
District's proportionate share of the collective net OPEB liability	\$ 1,525,165	\$ 2,048,549	\$ 2,665,468

**OPEB Plan Fiduciary Net Position**

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

**NOTE 9: CONTINGENCIES**

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

Todd County School District  
Notes to the Financial Statements

**NOTE 10: RISK MANAGEMENT**

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

The District purchases unemployment insurance through 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.

**NOTE 11: LITIGATION**

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

**NOTE 12: EXCESS EXPENDITURES OVER APPROPRIATIONS**

The District has one fund with a deficit fund balance, Food service (\$182,465). No funds had excess current year expenditures over current year appropriated revenues.

**NOTE 13: FUND TRANSFERS**

Fund transfers for the year ended June 30, 2019 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Matching	\$ 35,805
Operating	FSPK	Debt Service	Debt Service	1,255,832
Operating	General	Debt Service	Debt Service	173,408
Operating	FSPK	Construction	Construction	166,100
Operating	SEEK	Construction	Construction	170,495
Operating	General	Construction	Construction	242,036
Operating	Special Revenue	General	Indirect Costs	350
Operating	Food Service	General	Indirect Costs	67,528
Operating	Special Revenue	Special Revenue	Expenditures	118,429



Todd County School District  
Notes to the Financial Statements

**NOTE 14: ON-BEHALF PAYMENTS**

The District receives on-behalf payments from the State of Kentucky and the US Treasury for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2019, was \$4,985,078. These payments were recorded as follows:

*Year Ended June 30, 2019*

<b>Fund</b>	<b>Amount</b>
General Fund	\$ 4,672,517
Food Service Fund	100,078
Debt Service Fund	212,483
<b>Total</b>	<b>\$ 4,985,078</b>

*Year Ended June 30, 2019*

	<b>Amount</b>
Technology	\$ 85,168
Health Insurance less Federal reimbursements	2,191,858
Life Insurance	3,684
Administrative Fees	30,425
HRA/Dental/Vision Insurance	106,579
SFCC Debt Service	212,483
KTRS	2,354,881
<b>Total</b>	<b>\$ 4,985,078</b>

Todd County School District  
Budgetary Comparison Schedule for the General Fund

<i>Year Ended June 30, 2019</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<b>Revenues</b>				
Local and intermediate sources	\$ 3,012,050	\$ 3,173,735	\$ 3,461,571	\$ 287,836
State programs	12,045,915	12,045,915	13,409,983	1,364,068
Federal programs	50,000	50,000	54,206	4,206
<b>Total revenues</b>	<b>15,107,965</b>	<b>15,269,650</b>	<b>16,925,760</b>	<b>1,656,110</b>
<b>Expenditures</b>				
Current:				
Instruction	7,872,796	7,911,910	8,817,936	(906,026)
Support services:				
Student	1,042,330	1,067,245	1,237,142	(169,897)
Instructional staff	534,410	525,865	626,023	(100,158)
District administration	814,754	745,570	549,152	196,418
School administration	1,436,045	1,351,465	1,396,888	(45,423)
Business	681,220	676,510	623,361	53,149
Plant operations and maintenance	2,254,160	2,205,380	1,650,431	554,949
Student transportation	1,462,680	1,602,040	1,491,065	110,975
Other	25,070	25,605	18,495	7,110
Building acquisition and construction	488,660	325,000	12,810	312,190
<b>Total expenditures</b>	<b>16,612,125</b>	<b>16,436,590</b>	<b>16,423,303</b>	<b>13,287</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,504,160)</b>	<b>(1,166,940)</b>	<b>502,457</b>	<b>1,669,397</b>

Todd County School District  
Budgetary Comparison Schedule for the General Fund

<i>Year Ended June 30, 2019</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<b>Other Financing Sources (Uses)</b>				
Contingency	(1,700,000)	(1,700,000)	-	1,700,000
Operating transfers - net	204,160	(133,060)	(383,371)	(250,311)
<b>Total other financing sources (uses)</b>	<b>(1,495,840)</b>	<b>(1,833,060)</b>	<b>(383,371)</b>	<b>1,449,689</b>
Net change in fund balance	(3,000,000)	(3,000,000)	119,086	3,119,086
Fund balance - beginning of year	3,000,000	3,000,000	5,652,606	2,652,606
Fund balance - end of year	\$ -	\$ -	\$ 5,771,692	\$ 5,771,692

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

<i>Year Ended June 30, 2019</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>	
<b>Revenues</b>					
Local and intermediate sources	\$ -	\$ -	\$ 1,009	\$	1,009
State programs	1,034,830	1,287,819	1,370,290		82,471
Federal programs	1,607,116	1,677,701	1,620,855		(56,846)
<b>Total revenues</b>	<b>2,641,946</b>	<b>2,965,520</b>	<b>2,992,154</b>		<b>26,634</b>
<b>Expenditures</b>					
Current:					
Instruction	2,017,704	2,291,687	2,276,042		15,645
Support services:					
Student	30,271	25,914	15,467		10,447
Instructional staff	293,951	361,228	364,591		(3,363)
Plant operations and maintenance	9,437	10,500	26,647		(16,147)
Student transportation	167,538	120,491	149,590		(29,099)
Other	153,045	191,155	192,455		(1,300)
<b>Total expenditures</b>	<b>2,671,946</b>	<b>3,000,975</b>	<b>3,024,792</b>		<b>(23,817)</b>
<b>Deficiency of revenues over expenditures</b>	<b>(30,000)</b>	<b>(35,455)</b>	<b>(32,638)</b>		<b>2,817</b>

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

<i>Year Ended June 30, 2019</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>	
<b>Other Financing Sources (Uses)</b>					
Operating transfers- net	30,000	35,455	35,455		-
Total other financing sources (uses)	30,000	35,455	35,455		-
Net change in fund balance	-	-	2,817		2,817
Fund balance - beginning of year	-	-	56,459		56,459
Fund balance - end of year	\$ -	\$ -	\$ 59,276	\$	59,276

Todd County School District

Schedule of the District's Proportionate Share of the Net Pension Liability and  
Schedule of District's Contributions – Kentucky Teachers' Retirement System

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

<i>As of June 30,</i>	2019		2018		2017		2016		2015	
District's proportion of the net pension liability	0.0%		0.0%		0.0%		0.0%		0.0%	
District's proportionate share of the net pension liability	\$	-	\$	-	\$	-	\$	-	\$	-
State's proportionate share of the net pension liability associated with the District	\$	29,975,778	\$	63,417,813	\$	71,778,188	\$	57,599,582	\$	53,015,710
District's covered payroll	\$	7,920,319	\$	7,928,382	\$	8,115,826	\$	8,235,595	\$	8,085,372
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%		0.0%		0.0%		0.0%		0.0%	
Plan fiduciary net position as a percentage of the total pension liability	59.30%		39.83%		35.22%		42.49%		45.59%	

**Schedule of District's Contributions-KTRS**

<i>For the Year Ended June 30,</i>	2019		2018		2017		2016		2015	
Contractually required contribution	\$	-	\$	-	\$	-	\$	-	\$	-
Contributions in relation to the contractually required contribution	-		-		-		-		-	
Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$	-	\$	-
District's covered payroll	\$	7,777,236	\$	7,920,319	\$	7,928,382	\$	8,115,826	\$	8,235,595
Contributions as a percentage of covered payroll	0.00%		0.00%		0.00%		0.00%		0.00%	

Todd County School District  
Schedule of the District's Proportionate Share of the Net Pension Liability and  
Schedule of District's Contributions – Kentucky Teachers' Retirement System

**Changes of Benefit Terms**

None noted.

**Changes of Assumptions**

The discount rate used to measure the total pension liability as of the measurement date, June 30, 2018 was 7.50% where the discount rate for the measurement date June 30, 2017 was 4.49%.

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two year for males and on year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity Mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothly methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

Todd County School District  
 Schedule of the District's Proportionate Share of the Net Pension Liability and  
 Schedule of District's Contributions – County Employees Retirement System

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

<i>As of June 30,</i>	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.115385%	0.117450%	0.120120%	0.124668%	0.125705%
District's proportionate share of the net pension liability	\$ 7,027,298	\$ 6,875,119	\$ 5,914,258	\$ 5,360,134	\$ 4,078,000
District's covered payroll	\$ 2,851,137	\$ 2,845,117	\$ 2,868,370	\$ 2,850,832	\$ 2,843,023
District's proportionate share of the net pension liability as a percentage of its covered payroll	246.47%	241.65%	206.19%	188.02%	143.44%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%

**Schedule of District's Contributions-CERS**

<i>For the Year Ended June 30,</i>	2019	2018	2017	2016	2015
Contractually required contribution	\$ 480,671	\$ 412,845	\$ 396,894	\$ 356,252	\$ 363,481
Contributions in relation to the contractually required contribution	480,671	412,845	396,894	356,252	363,481
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,963,443	\$ 2,851,137	\$ 2,845,117	\$ 2,868,370	\$ 2,850,832
Contributions as a percentage of covered payroll	16.22%	14.48%	13.95%	12.42%	12.75%



Todd County School District

Schedule of the District's Proportionate Share of the Net Pension Liability and  
Schedule of District's Contributions – County Employees Retirement System

**Changes of Benefit Terms**

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

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

**Changes of Assumptions**

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

2019: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

2018: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: No changes in assumptions.

Todd County School District  
 Schedule of the District's Proportionate Share of the  
 Collective Net OPEB Liability and Schedule of District's Contributions –  
 Kentucky Teachers' Retirement System – Medical Insurance Fund

**Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS**

<i>As of June 30,</i>	2019	2018
District's proportion of the collective net OPEB liability	0.117782%	0.123769%
District's proportionate share of the collective net OPEB liability	\$ 4,087,000	\$ 4,413,000
District's covered - employee payroll	\$ 7,920,319	\$ 7,928,382
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	51.60%	55.66%
Plan fiduciary net position as a percentage of the total OEPB liability	25.50%	21.18%

**Schedule of the District's Contributions - KTRS**

<i>As of June 30,</i>	2019	2018
Contractually required contribution	\$ 189,229	\$ 190,077
Contributions in relation to the contractually required contribution	189,229	190,077
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 7,777,236	\$ 7,920,319
Contributions as percentage of covered payroll	2.43%	2.40%

**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 KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

**Changes of Assumptions**

No changes of assumptions.

Todd County School District  
 Schedule of the District's Proportionate Share of the  
 Collective Net OPEB Liability and Schedule of District's Contributions –  
 Kentucky Teachers' Retirement System – Life Insurance Fund

**Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS**

<i>As of June 30,</i>	2019	2018
District's proportion of the collective net OPEB liability	0.000000%	0.000000%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -
District's covered - employee payroll	\$ 7,920,319	\$ 7,928,382
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OEPB liability	75.00%	79.99%

**Schedule of the District's Contributions - KTRS**

<i>As of June 30,</i>	2019	2018
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 7,777,236	\$ 7,920,319
Contributions as percentage of covered payroll	0.00%	0.00%

**Changes of Benefit Terms**

No changes of benefit terms.

**Changes of Assumptions**

No changes of assumptions.

Todd County School District  
 Schedule of the District's Proportionate Share of the  
 Collective Net OPEB Liability and Schedule of District's Contributions  
 County Employees Retirement System

**Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS**

<i>As of June 30,</i>	2019	2018
District's proportion of the net OPEB liability	0.115380%	0.117457%
District's proportionate share of the net OPEB liability	\$ 2,048,549	\$ 2,361,287
District's covered - employee payroll	\$ 2,851,137	\$ 2,845,117
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	71.85%	82.99%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%

**Schedule of District Contributions - CERS**

<i>For the years ended June 30,</i>	2019	2018
Contractually required contribution	\$ 155,979	\$ 133,969
Contributions in relation to the contractually required contribution	155,979	133,969
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 2,963,443	\$ 2,851,137
Contributions as a percentage of covered-employee payroll	5.26%	4.70%

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

**Changes of Benefit Terms**

No changes of benefit terms.

**Changes of Assumptions**

2019: There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which update the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

Todd County School District  
Schedule of the District's Proportionate Share of the  
Collective Net OPEB Liability and Schedule of District's Contributions  
County Employees Retirement System

2018: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25%.

Todd County School District  
Combining Balance Sheet  
Nonmajor Governmental Funds

<i>June 30, 2019</i>	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
<b>Assets</b>					
Cash	\$ -	\$ -	\$ 486,292	\$ -	\$ 486,292
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 486,292</b>	<b>\$ -</b>	<b>\$ 486,292</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 4,714	\$ -	\$ 4,714
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,714</b>	<b>\$ -</b>	<b>\$ 4,714</b>
<b>Fund Balances</b>					
Restricted					
Capital projects	\$ -	\$ -	\$ 481,578	\$ -	\$ 481,578
<b>Total fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 481,578</b>	<b>\$ -</b>	<b>\$ 481,578</b>

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

<i>Year Ended June 30, 2019</i>	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ -	\$ 643,658	\$ -	\$ -	\$ 643,658
Earnings on investments	-	-	7,188	-	7,188
Intergovernmental - state	170,495	778,274	-	212,483	1,161,252
<b>Total revenues</b>	<b>170,495</b>	<b>1,421,932</b>	<b>7,188</b>	<b>212,483</b>	<b>1,812,098</b>
<b>Expenditures</b>					
Debt service:					
Principal	-	-	-	1,257,699	1,257,699
Interest	-	-	-	384,024	384,024
Building acquisition and construction	-	-	132,289	-	132,289
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>132,289</b>	<b>1,641,723</b>	<b>1,774,012</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>170,495</b>	<b>1,421,932</b>	<b>(125,101)</b>	<b>(1,429,240)</b>	<b>38,086</b>

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

<i>Year Ended June 30, 2019</i>	<b>SEEK Fund</b>	<b>FSPK Fund</b>	<b>Construction Fund</b>	<b>Debt Service Fund</b>	<b>Total Other Governmental Funds</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers-in	-	-	578,631	1,429,240	2,007,871
Operating transfers-out	(170,495)	(1,421,932)	-	-	(1,592,427)
<b>Total other financing sources (uses)</b>	(170,495)	(1,421,932)	578,631	1,429,240	415,444
Net change in fund balances	-	-	453,530	-	453,530
Fund Balances - beginning of year	-	-	28,048	-	28,048
<b>Fund Balances - end of year</b>	\$ -	\$ -	\$ 481,578	\$ -	\$ 481,578



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

<i>Year Ended June 30, 2019</i>	<b>Cash</b>			<b>Cash</b>			<b>Accounts</b>		<b>Accounts</b>		<b>Due to Student</b>
	<b>July 1, 2018</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2019</b>	<b>Receivable</b>	<b>Payable</b>	<b>Payable</b>	<b>Groups</b>	<b>June 30, 2019</b>		
Todd Co. Central High School	\$ 146,666	\$ 330,393	\$ 348,917	\$ 128,142	\$ 670	\$ -	\$ -	\$ 128,812			
Todd Co. Middle	64,878	132,873	135,935	61,816	338	-	-	62,154			
North Todd Elementary	34,125	55,804	53,182	36,747	-	-	-	36,747			
South Todd Elementary	42,560	89,408	97,386	34,582	-	-	-	34,582			
<b>Total</b>	<b>\$ 288,229</b>	<b>\$ 608,478</b>	<b>\$ 635,420</b>	<b>\$ 261,287</b>	<b>\$ 1,008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 262,295</b>			

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

<i>Year Ended June 30, 2019</i>	<b>Cash</b>			<b>Cash</b>			<b>Accounts</b>		<b>Accounts</b>		<b>Due to Student</b>
	<b>July 1, 2018</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2019</b>	<b>Receivable</b>	<b>Payable</b>			<b>Groups</b>	<b>June 30, 2019</b>	
General Fund	\$ 6,918	\$ 4,456	\$ 2,113	\$ 9,261	\$ 15	\$ -			\$ 9,276		
Athletic Fund	15,668	49,235	52,752	12,151	-	-			12,151		
Game Concessions	14,705	24,241	21,720	17,226	-	-			17,226		
Ag/Greenhouse	8,288	12,454	16,155	4,587	-	-			4,587		
Drama	705	880	870	715	-	-			715		
Family/Consumer Sci	463	-	-	463	-	-			463		
Band Account	4,555	18,956	16,483	7,028	34	-			7,062		
Students/PBIS	3,285	1,746	3,312	1,719	-	-			1,719		
PE Fund	544	762	761	545	-	-			545		
Coaches Vs. Cancer	10	-	-	10	-	-			10		
Spilled Ink Literacy Magazine	454	580	489	545	-	-			545		
FFA Club	2,830	35,551	37,709	672	547	-			1,219		
GT Class	-	160	160	-	-	-			-		
Beta Club	3,216	4,444	6,130	1,530	-	-			1,530		
Student Council Club	959	4,824	3,571	2,212	-	-			2,212		
Art Club	241	-	36	205	-	-			205		
FCCLA Club	676	-	-	676	-	-			676		
Spanish Club	48	485	313	220	-	-			220		
Yearbook Fund	884	14,314	13,934	1,264	-	-			1,264		
Library Fund	506	87	-	593	-	-			593		
CPR Fund	25	-	-	25	-	-			25		
TC Pep Club	987	5	215	777	-	-			777		
1st Priority Club	44	-	-	44	-	-			44		
Dance Team	406	12,770	12,973	203	-	-			203		

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

<i>Year Ended June 30, 2019</i>	<b>Cash</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Due to Student</b>
	<b>July 1, 2018</b>			<b>June 30, 2019</b>	<b>Receivable</b>	<b>Payable</b>	<b>Groups</b>
							<b>June 30, 2019</b>
Science Dept	155	-	-	155	-	-	155
Cheerleader Fund	3,570	32,758	32,720	3,608	23	-	3,631
Future Educators of America	342	-	-	342	-	-	342
National Honor Society	1,846	1,094	1,681	1,259	-	-	1,259
Faculty Lounge	550	1,087	960	677	51	-	728
School Fees	4,524	4,740	9,259	5	-	-	5
TCCHS PTO	1,278	1,272	2,068	482	-	-	482
TCCHS Veteran's Day Program	1,322	-	699	623	-	-	623
Class of 2019	2,716	1,900	4,427	189	-	-	189
Class of 2020	-	14,054	6,920	7,134	-	-	7,134
Ricky Jolly Scholarship Fund	4,840	3,000	3,000	4,840	-	-	4,840
Scholarships	15,555	1,260	15,640	1,175	-	-	1,175
2019 Parents/Project Graduation	4,081	31,779	33,050	2,810	-	-	2,810
Project Graduation New Games	2,000	-	-	2,000	-	-	2,000
JR ROTC	985	-	-	985	-	-	985
Athletic Travel	826	-	-	826	-	-	826
Baseball	8,835	12,140	9,931	11,044	-	-	11,044
Boys Basketball	509	7,092	6,655	946	-	-	946
Girls Basketball	1,209	6,014	5,205	2,018	-	-	2,018
G/B Golf	4,271	900	2,838	2,333	-	-	2,333

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

<i>Year Ended June 30, 2019</i>	<b>Cash</b> <b>July 1, 2018</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash</b> <b>June 30, 2019</b>	<b>Accounts</b> <b>Receivable</b>	<b>Accounts</b> <b>Payable</b>	<b>Due to Student</b> <b>Groups</b> <b>June 30, 2019</b>
Boys Soccer	3,034	3,935	2,791	4,178	-	-	4,178
Girls Soccer	2,059	6,082	5,610	2,531	-	-	2,531
Softball	8,847	16,889	16,998	8,738	-	-	8,738
Track	496	3,441	1,238	2,699	-	-	2,699
Volleyball	251	2,085	1,433	903	-	-	903
Weightlifting	50	-	-	50	-	-	50
Sports Concessions	1,558	-	1,558	-	-	-	-
Archery	4,280	4,789	6,415	2,654	-	-	2,654
Charitable Gaming	260	7	-	267	-	-	267
Inter-fund Transfers	-	(11,875)	(11,875)	-	-	-	-
<b>Total</b>	<b>\$ 146,666</b>	<b>\$ 330,393</b>	<b>\$ 348,917</b>	<b>\$ 128,142</b>	<b>\$ 670</b>	<b>\$ -</b>	<b>\$ 128,812</b>

Todd County School District  
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster				
Direct Program:				
Food Distribution Program - non-cash	10.555	-	\$ -	\$ 73,414
Passed-Through State Department of Education:				
School Breakfast Program	10.553	7760005 19	-	275,486
National School Lunch Program	10.555	7750002 19	-	<u>788,516</u>
Subtotal				1,064,002
Total U.S. Department of Agriculture				1,137,416
<b>U.S. Department of Education</b>				
Passed-Through State Department of Education:				
Title I, Part A				
Title I Grants to Local Educational Agencies - 2017	84.010	3100002 16	-	1,026
Title I Grants to Local Educational Agencies - 2018	84.010	3100002 17	-	304,527
Title I Grants to Local Educational Agencies - 2019	84.010	3100002 18	-	<u>648,304</u>
Subtotal				953,857
Migrant Education State Grant Program- 2018	84.011	3110002 17	-	62,157
Migrant Education State Grant Program- 2019	84.011	3110002 18	-	<u>57,715</u>
Subtotal				119,872
Special Education Cluster				
Special Education Grant to States - 2017	84.027	3810002 16	-	2,808
Special Education Grant to States - 2018	84.027	3810002 17	-	137,346
Special Education Grant to States - 2019	84.027	3810002 18	-	339,812
Special Education Preschool Grant - 2018	84.173	3800002 17	-	7,660
Special Education Preschool Grant - 2019	84.173	3800002 18	-	<u>65,880</u>
Subtotal				553,506
English Language Acquisition State Grants - 2018	84.365	3300002 17	-	2,460
English Language Acquisition State Grants - 2019	84.365	3300002 18	-	<u>6,629</u>
Subtotal				9,089

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

Todd County School District  
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Career and Technical Education - Basic Grants to States - 2018	84.048	3710002 17	-	450
Career and Technical Education - Basic Grants to States - 2019	84.048	3710002 18	-	<u>28,180</u>
Subtotal				28,630
Rural Education - 2018	84.358	3140002 17	-	2,688
Rural Education - 2019	84.358	3140002 18	-	<u>13,114</u>
Subtotal				15,802
21st Century Community Learning Centers - 2018	84.287	3400002 16		10,285
Student Support and Academic Enrichment Program - 2018	84.424	3420002 17	-	18,280
Student Support and Academic Enrichment Program - 2019	84.424	3420002 18	-	<u>29,963</u>
Subtotal				48,243
Total U.S. Department of Education				1,739,284
Total Expenditures of Federal Awards			\$ -	<u>\$ 2,876,700</u>

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

Todd County School District  
Notes to the Schedule of Expenditures of Federal Awards

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Todd County School District (the "District") under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

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

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

**NOTE 3: INDIRECT COST RATE**

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

Child Nutrition Cluster


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

**NOTE 4: SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**NOTE 5: LOANS AND LOAN GUARANTEES**

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



Todd County School District  
Summary Schedule of Prior Audit Findings

None noted.





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Todd County School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Todd County School District's basic financial statements, and have issued our report thereon dated November 8, 2019.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated November 8, 2019.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Carr, Riggs & Ingram, LLC  
Bowling Green, Kentucky  
November 8, 2019



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

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

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

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

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

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

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

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

Carr, Riggs & Ingram, LLC  
Bowling Green, KY  
November 8, 2019

**Section I — Summary of Auditors' Results**

**Financial Statements**

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

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major Federal programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFR 200.516(a))?  Yes  None reported

Todd County School District  
Schedule of Findings and Questioned Costs

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?  Yes  No

**Section II — Financial Statement Findings**

None reported.

**Section III — Federal Award Findings and Questioned Costs**

None reported.



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

In planning and performing our audit of the financial statements of Todd County School District (the "District") for the year ended June 30, 2019, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.


The memorandum that accompanies this letter summarizes our comments and recommendations. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 8, 2019 contains our report on the District's internal control. This letter does not affect our report dated November 8, 2019 on the financial statements of the District.

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

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

Carr, Riggs & Ingram, LLC  
Bowling Green, KY  
November 8, 2019





Todd County School District  
Comments and Recommendations

**Current Year Comments**

No current year findings noted.

**Prior Year**

All prior year findings were corrected.



**THOUGHT LEADERSHIP**



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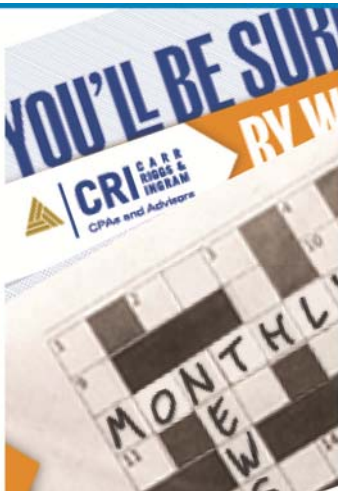
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